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The Gavrilović Meat Company:
Surviving and Thriving Through Years of Chaos in Croatia

Dissertation

Presented in Partial Fulfillment of the Requirements for the Degree of
Doctor of Philosophy

By
Andrew Anthony Vuksic

Lynn University

2011

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The Gavrilović Meat Company:
Surviving and Thriving Through Years of Chaos in Croatia

Andrew Anthony Vuksic, Ph.D.

Lynn University, 2011

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Throughout this journey, I have been blessed by God to have the encouragement and love of my wonderful family. This dissertation is dedicated in loving memory of my beloved father, Dr. Vlatko Vuksic. He has been my inspiration and role model throughout my entire life; he is the one who encouraged me to pursue my Doctoral Degree; and he is the “real” Dr. Vuksic in my family.

I am so grateful to God for my wonderful wife Daniele. She is my partner in marriage and my partner in the gospel ministry. My life is a true joy because of Daniele and it is an unspeakable honor to be her husband. I am also grateful to God for my mother Radmila Vuksic. She has been the strength and encouragement behind two Vuksic men earning their Doctoral Degrees. I truly believe she deserves one as well!

I would like to give thanks to Lynn University for accepting me into the doctoral program. I am especially grateful to my committee members, Dr. Eldon Bernstein, Dr. Fred Carstensen & Dr. Valerie Storey. Their wisdom, patience and guidance have been invaluable to me.

Finally, and most importantly, I want to thank our Great God. He is the true strength and inspiration for me. I am who I am because of his grace. I have accomplished what I have accomplished because of his grace. Therefore, and without question, God deserves all the glory!

ABSTRACT

Business leaders throughout the world have suffered through very difficult times within the past several years. A global financial crisis has swept through the business community with such unspeakable force that countless businesses throughout the world have been destroyed.

Yet, is it possible that many of these failed businesses could have survived this recent financial storm? Is there a company today that could be considered a shining example of what it takes to survive and thrive in the turbulent world of business?

The purpose of this business history study was to examine key distinctive qualities of a Croatian meat company, the Gavrilović Meat Company. Founded in the 1690s as a small family-owned butcher shop, the Gavrilović Meat Company survived through numerous brutal wars, a myriad of political ideologies, and wrenching economic turns to become the largest meat processing company in Croatia. But how did this company do it? How did this company last through all those centuries? What are some of the key distinctive that allowed it to gain and maintain its position as a market leader not only in Croatia, but throughout the world?

Findings indicated that the Gavrilović Meat Company placed heavy emphasis on branding its name and product portfolio. This focus on branding started back in the early 1800s, and it has continued throughout the years of chaos in Croatia. High quality and name recognition, as well as long-term tradition and heritage, have been key pillars that have allowed the Gavrilović Meat Company to become a world-wide market leader in the meat industry.

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THE GAVRILOVIĆ MEAT COMPANY: SURVIVING AND THRIVING THROUGH YEARS OF CHAOS IN CROATIA

Founded in the 1690s as a small family-owned butcher shop, the Gavrilović Meat Company survived through numerous brutal wars, a myriad of political ideologies, and wrenching economic turns to become the largest meat processing company in Croatia. But how did this company do it? More specifically, how did Gavrilović survive and thrive through all the years of chaos in Croatia (see Table 1), while many companies, including those in the meat industry, either fell out of existence, or simply fell into insignificance? Key distinctive qualities of the Gavrilović Meat Company allowed it to gain and maintain its position as a market leader not only in Croatia, but throughout the world.

Table 1

Periods of Turmoil

Period	Years
Power Struggles (Austro-Hungarian and French)	1780s - 1815
World War I	1914 - 1918
World War II	1939 - 1945
Tito's Dictatorial Regime	1945 - 1980
Fall of Yugoslavia	1989 - 1990
Civil War	1991 - 1995
Rise of the Supermarkets	2000 - present

Historical Background

Small Family Business

The Gavrilović family began its humble operations in the town of Petrinja, Croatia. As shown in Figure 1, Petrinja was situated in the region of Banovina, which was a territorial war zone during the seventeenth century (Golec, 1993). The region of Banovina derived its name from the Hungarian word *Ban*, which means "ruler of a particular region." The name originated in the late ninth century to describe a region that was outside the particular borders of the ruling empire, yet was still under direct control of the empire (Horvat, 2003). The Ottoman Turks were determined to take full control of Croatia, and the town of Petrinja was considered a valuable asset to facilitate this goal. However, the Austrian-governed provinces of Croatia fought hard to protect and liberate Petrinja from the Turks. In 1685, Petrinja was finally liberated, allowing both the town and region to experience an economic boom (Kruhek & Horvat, 1986).

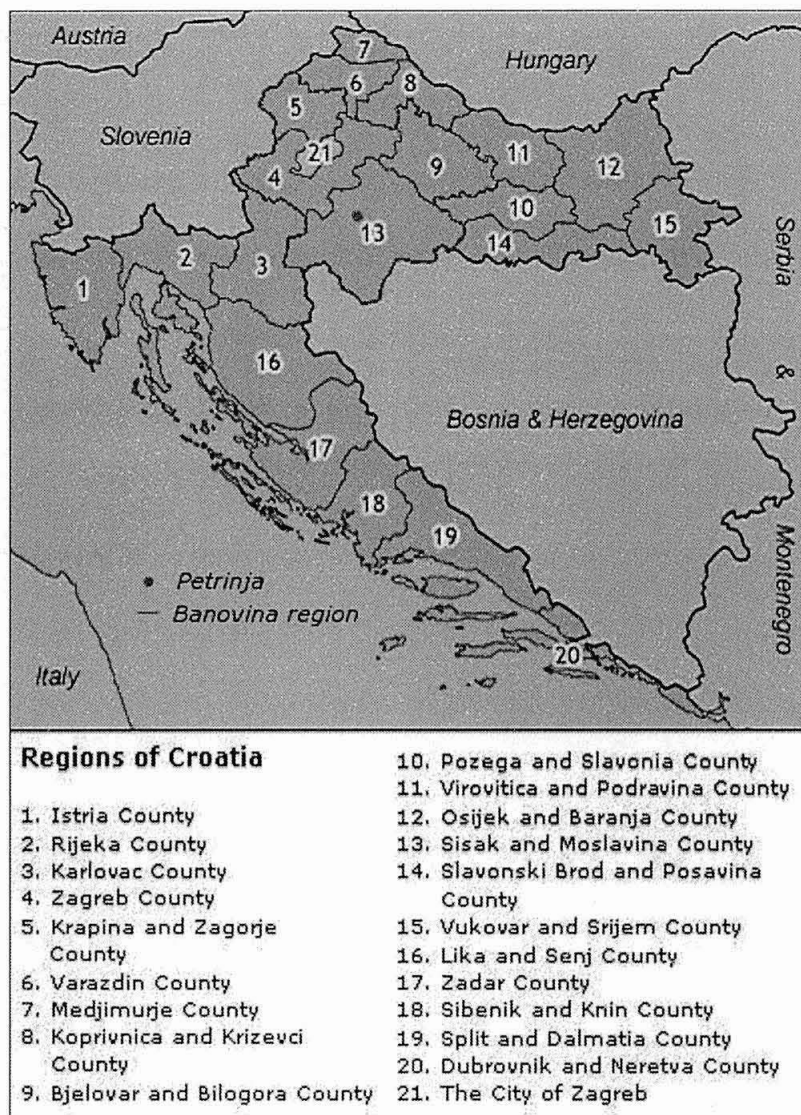


Figure 1. Petrinja and Banovina Region. From <http://www.map-of-croatia.co.uk>. Copyright 2005 by Rob Hilken. Reprinted with permission.

According to experts (e.g. Kuvačić, 2007), safe and peaceful times caused a shift in the thinking of the people, allowing them to move from a mentality of self-preservation to thoughts of building, growing, and moving forward. This change was helped by the fact that the war zone was moved further east, allowing Petrinja to receive an influx of new inhabitants from Austria and Germany (Golec, 1993). Many of these new inhabitants were Austro-Hungarian military personnel who were stationed in Petrinja

so as to protect the eastern border from the potential return of the Ottoman Turks. This population increase inevitably led to a greater demand for the production of goods, thus stimulating and strengthening the economy.

Riding on the momentum of this economic and cultural boom, Petar Gavrilović and his wife started their private, family-operated butcher shop in 1690 (Lipovac, 1993). Gavrilović settled in Petrinja as a refugee from Bosnia after the Turkish and Austro-Hungarian conflict. He was registered in the town books as a butcher and a leather-maker (Šimatović, 2006). He and his wife picked a great time to start their small family business, for they seized the opportunity to cater to the needs of the military presence in Petrinja. They quickly discovered that their pigs were a valuable food product for the soldiers in the region of Banovina. Thus, Gavrilović and his wife made sure to capitalize on that need.

Formation of the Gavrilović Company

Historians have noted that by the mid-eighteenth century, the now largely Catholic town of Petrinja was receiving significant investments from Queen Mary Therese, the leader of the Austro-Hungarian Empire (Kruhek & Horvat, 1986). Her favorable disposition towards Petrinja, as well as her constant flow of capital, enabled the once dangerous war zone to become a major commercial crossroads for the trade of various goods. Some of these goods included pottery, shoes, and clothing. Additionally, because the area was situated near a large river (the Kupa), wheat trade and transportation became a major enterprise (Golec, 1993). Trading guilds also began to be formed, and Petar Gavrilović's son, Mate (see Table 2), was able to capitalize on the economic momentum as he joined forces with the locals in the area to create a meat/butchers guild

(Nožinić, 1970). The Gavrilović family was able to join forces with other local families; the Miholjević family, the Pejaković family, the Glavanović family, the Ivičić family, the Tomić family, the Tačković family, and the Zadrović family (Golec, 2003). Mate Gavrilović had an immediate advantage in the guild due to his dual profession as both butcher and leather-maker. These skills were passed on by his father and thus allowed Mate Gavrilović to have greater influence among the families. He became the guild master and as such was responsible for collecting annual membership fees and for leading the quarterly guild meetings (Golec, 2003). The first of its kind in the region, this meat guild not only provided various types of meat products to the people, but it also became the springboard for Mate's next bold move.

Guilds were established as professional organizations that were regulated by rules issued by the nobility (Grafe & Gelderblom, 2010). Queen Mary Therese set the rules for the various guilds in Petrinja. One of the rules that she set prohibited the slaughter of cattle in private homes or at the meat market. Only those who were members of the meat guild were authorized to slaughter cattle for meat (Golec, 2003).

The meat guild had a strong influence in the town or village (Grafe & Gelderblom, 2010). It controlled a major part of commerce and would often influence farmers to raise animals that benefited the needs of the guild (Nožinić, 1970). The meat guild also influenced matters such as hygiene at the slaughterhouses, weights and measures in the slaughterhouses, and days when meat could and could not be sold (Grafe & Gelderblom, 2010). Guild masters laid down regulations concerning quality of work done in the slaughterhouses, the rate of wages, fines or expulsions from the guild for

disobedient members, and entry into the guild through apprenticeship (Grafe & Gelderblom, 2010).

According to Neseć (1993), it was in 1792 that Mate Gavrilović converted the guild into the first formal meat company in Croatia, "Mesna Industrija Gavrilović" ("Meat Industry Gavrilović," n.d.). The success of the guild was helped by the fact that the majority of Petrinja craftsmen were registered as either butchers or pottery-makers (Golec, 2003). This timely move put the new company in a great position to benefit from the sudden change within the empire. In 1809, the French took control of the region of Banovina and the town of Petrinja from the Austro-Hungarian Empire (Marčinko & Cvekan, 1991). During the 18th century, Austria, Hungary, and Venice all continued to fight for pieces of Croatia. The Austrians wanted to install German customs and language; the Hungarians wanted to install Hungarian as the official language; and the Venetians felt that Italian language and culture should permeate throughout Croatia because the Italians had control of the Croatian coastline (Roksandić, 1988).

Table 2

Notable Gavrilović Family Members

Name	Years	Notable Achievement
Petar Gavrilović	1690s-1750s	Started the family business
Mate Gavrilović	1760s-1820s	Created first Croatian meat company
Ivan Gavrilović	1820s-1880s	Established first Croatian meat factory
Georg Gavrilović	1900s-1960s	Introduced air conditioning
Đuro Gavrilović, Sr.	1991-present	Repurchased company
Đuro Gavrilović, Jr.	1993-present	Was positioned as the Head of Board of Directors
Gabrijel Gavrilović	n/a	Was designated heir of the company

In the Battle of Austerlitz in 1805, Napoleon defeated the Austro-Hungarian/Russian coalition, giving the French control over the majority of Croatian territories, including Banovina and Petrinja (Valentić, 1986). In 1812, Napoleon turned his sights to gaining control of Russia, and he desired to have a base where his army could quickly replenish military personnel for fighting on the Russian front lines. To

support them, the French set up a military base in the Banovina region, with the center of operations in Petrinja (Kruhek & Horvat, 1986).

Prior to the arrival of the French, the market for meat was primarily limited to the local regions under the control of the Austro-Hungarian Empire (Nožinić, 1970). The Austro-Hungarian Empire was in conflict with both the French and the Prussian Empire, and therefore trading was restricted to within the empire. However, under the new French regime, Gavrilović was able to expand its market by supplying meat to Napoleon's court and to other areas in the French Empire. Napoleon's Marshal Marmont, the key leader for the French forces in the region, made Petrinja the headquarters of his regiment. This allowed the Gavrilović brothers to become the major suppliers of Napoleon's army (Nožinić, 1970). At this time, the company created its first recognizable brand image, a picture of Napoleon riding a horse (see Figure 2) that appeared on all of Gavrilović beef and pork salami products (Nožinić, 1970). Thus, Mate Gavrilović not only pioneered the first formal meat company in Croatia, but he also became a pioneer in product branding as well (Shultz, Crnjak-Karanović, & Renko, 2005).



Figure 2. Gavrilović Slogan: Supplying Napoleon's Army Since 1810. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2009 by Gavrilović Company. Reprinted with permission.

Formation of the Factory

In 1813, the Austro-Hungarian Empire once again regained control from the French (Kruhek & Horvat, 1986). In the Patriotic War of 1812, Napoleon was defeated by the Russians, pushing the French out of Croatia, and allowing the Austro-Hungarian Empire once again to take control of Banovina and Petrinja (Golec, 1993). Shortly thereafter, the Gavrilović family decided that it was time to make another bold move. In 1821, Mate Gavrilović's son, Ivan, positioned the company to move into full-scale industrial production. Nožinić (1970) began his study with what he considered the next chapter in Gavrilović history: the company purchased industrial equipment, and Ivan built a factory that was named in honor of his father, "Prva Hrvatska Tvornica, Suhog Mesa i Masti—Mate Gavrilović i sinovi" ("The first Croatian factory of salami, dry meat and fat—Mate Gavrilović and sons").

Thus, the company pioneered the production of meat products in Croatia (see Figure 3). All processed meat products had to be either physically and/or chemically treated. These treatments went beyond the simple cutting of meat into meat pieces. Meat

processing involved a wide range of physical and chemical treatment methods, normally a combination of methods (Savic, 1985).

The Gavrilović Company was able to acquire certain equipment to modernize its meat processing methods. Much of this equipment was purchased from areas within the Austro-Hungarian Empire (Nožinić, 1970). Some of the equipment included meat grinders, smokehouses, and mixers/blenders (Nožinić, 1970). Meat grinders were machines that were used to force meat or meat trimmings by means of a feeding worm (auger) under pressure through a horizontally mounted cylinder (Heinz & Hautzinger, 2007). Traditional smokehouses were used for smoking meat; the most common methods of smoke generation included burning damp hardwood sawdust, heating dry sawdust, or heating pieces of log (Heinz & Hautzinger, 2007). Mixers and blenders were used to blend meat and spices, as well as coarse and finely chopped meat (Heinz & Hautzinger, 2007).



Figure 3. "The First Croatian Salami Factory." From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2009 by Gavrilović Company. Reprinted with permission.

In 1860, with the help of the Cimbaro family from Udinese, Italy, Gavrilović created a special type of gourmet winter salami that was acknowledged as the first and best of its kind (Kambić, 2006; Nožinić, 1970). In the 1800s, there were no air conditioning or refrigeration units to preserve meat during warm weather. Therefore, salami was a seasonal product that was produced only during the winter. This is why it was called winter salami (Meso, 2008). The Cimbaros came to the Gavrilović factory during the winter because they were unable to continue their work as home builders in the harsh Italian winters. As the Cimbaros continued to migrate during the winter season and work at the Gavrilović factory, the new gourmet winter salami recipe was created and perfected. Although Hungarian history often gives credit to the Hungarians for

creating the first gourmet winter salami (Winter Salami, n.d.), it is generally acknowledged that the Gavrilović Company truly deserves the credit (Šimatović, 2006).

Additionally, Gavrilović was able to create a unique curing process that involved specific kinds of molds that added to the flavor and preservation of the meat (Gavrilović, 2004). This new gourmet winter salami became so popular among Croatian consumers that people actually coined a special name for their favorite meat product:

"Gavrilovička," which means "From Gavrilović" (Čavić, 1998). This product helped the Gavrilović Meat Company to cement both its reputation and brand image as the industry leader in the Croatian meat market.

The ability to produce major quantities of salami in the winter months proved to be very successful domestically and internationally. Demand for Gavrilović winter salami crossed Croatian borders, allowing the company to begin exporting to France, Austria, and Hungary (Shultz, Crnjak-Karanović, & Renko, 2005). It is interesting to note that up to this time, there was very little competition for Gavrilović in the Croatian meat market. Basically, the only competition consisted of a few small processing facilities in the area, as well as small groups of farmers who set up various meat guilds (Lovrić, Konja, Kniewald, & Franekić, 2004). The Gavrilović Meat Company had a firm position as the market leader for meat in Croatia and certain parts of Europe.

Lipovac (1993) emphasized the importance of the year 1871, when the Croatian government allowed Petrinja, the town where Gavrilović was headquartered, to be included in Zagreb County (see Figure 4). Zagreb was the capital city of Croatia, and this move once again proved beneficial to Gavrilović. Sales and name recognition increased

to new highs as a result of the market leader in Croatian meat becoming a part of the largest and most popular county in the country.

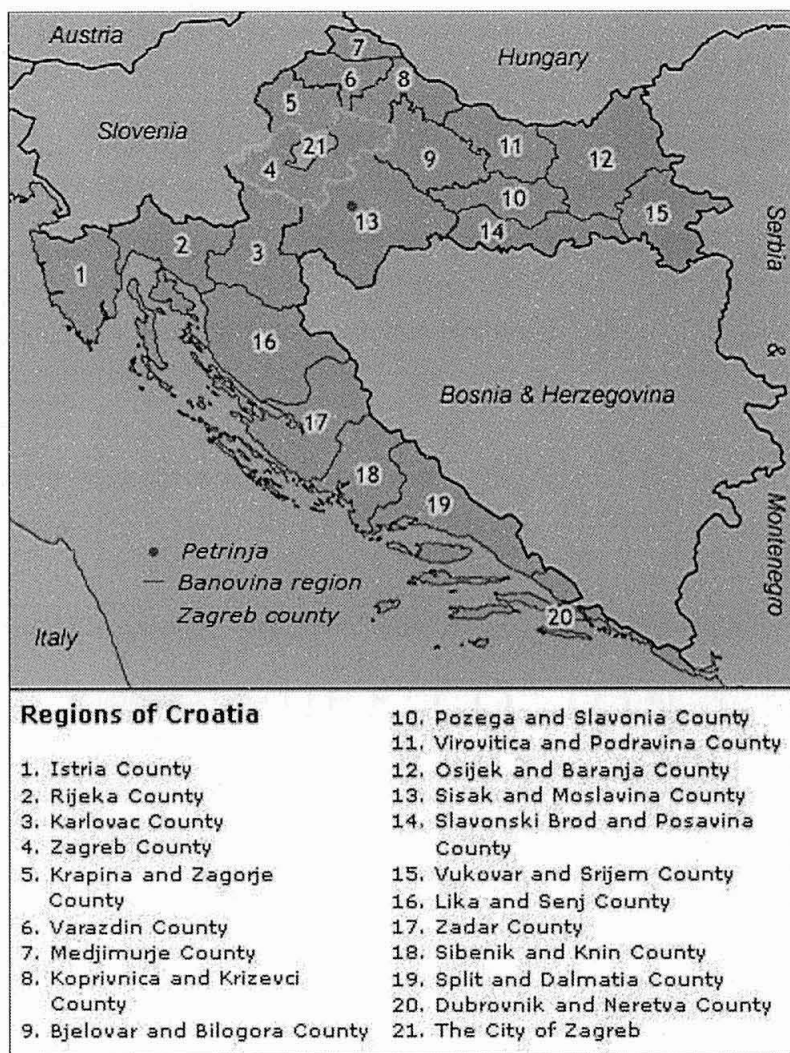


Figure 4. Zagreb and Zagreb County. From <http://www.map-of-croatia.co.uk>. Copyright 2005 by Rob Hilken. Reprinted with permission.

In 1891, the Gavrilović Company was awarded a ribbon for its winter salami at the Jubilee Trade and Forestry Exhibition (Gavrilović, 2009). The ribbon soon became part of the packaging of the winter salami. The company produced ribbons with the colors of the Croatian flag and wrapped the ribbons around salami products that were to

be sold. The ribbons represented national pride and approval of the quality of the product (Gavrilović, 2009).

In 1894, the Gavrilović Company won the gold medal at the International Exhibition in Vienna (see Figure 5). The quality, as well as quantity, of meat that Gavrilović provided during this time allowed the company to receive a gold medal for quality at the exhibition (Čavić, 1998).



Figure 5. Gold Medal with the Picture of Austrian Emperor Franz Joseph. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2009 by Gavrilović Company. Reprinted with permission.

In 1906, the company opened a premium quality butcher shop in the center of Vienna and expanded its operations to Palestine, Egypt, and the Middle East (Gavrilović, 2009). As a result of this phenomenal growth, one year later Gavrilović was able to secure the necessary funds to help supply the town of Petrinja with electricity (Kuvačić, 2007). The town of Petrinja, bolstered by electricity, became an industrial town. The company was also ready to make its next bold move: the building of a specialized factory

for the production of high-grade salami and premium dry meats (see Figure 6). In 1912, this factory was opened, and its round-the-clock efforts enabled the company to add quickly to its portfolio of meat products. Some of these products included various kinds of salami and sausage meat products (Shultz, Crnjak-Karanović, & Renko, 2005). Now the company was able to produce premium meat products such as winter salami, srijemska sausage (named after the Srijem region in Croatia), paprika salami, and other similar products efficiently and effectively. As a result, Gavrilović continued to enhance its reputation and brand recognition as the leader in premium dry meats.



Figure 6. Gavrilović Factory Photo Used in Early Twentieth-Century Advertisement. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2004 by Gavrilović Company. Reprinted with permission.

Soon thereafter, Gavrilović became the first company in Croatia, as well as one of the few in Europe, to initiate the production of a new product category: dry sausage. This sausage is made from a variety of meat products, and is considered to be the most

complicated of all sausages to make because the drying process needs to be carefully controlled:

The organoleptic and other properties of dry sausages depend not only upon the products of sugar bacterial fermentation but are also strongly influenced by biochemical and physical changes occurring during the long drying or ageing process. The formulation, degree of grinding, level of fermentation, smoking intensity, temperature of ageing and type and size of casing as well as other factors determine the properties of the final product. (Savic, 1985)

Additionally, excess humidity in the drying room can lead to unwanted mold on the products (Savic, 1985). Sausage drying rooms need to be equipped with a fan and equipment for dehumidification and chilling or warming the air, as well as humidity and temperature control instruments (Savic, 1985). Once the sausage is dried, it is ready to be eaten, and the sausage can be stored for a long time in refrigeration. Examples include salami and summer sausage, as well as Gavrilović classic winter salami.

The Gavrilović slogan, "Samo najbolje za naše kupce" ("Only the best for our customers"), created such a stir that the company was invited to present its business principles at the Croatian Economic Exhibition (Čavić, 1998). It was there that the company presented its high-quality marketing strategy that consisted of innovative publicity photographs and illustrations (see Figure 7).



Figure 7. "Mommy look, it's the real Gavrilović salami." From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2004 by Gavrilović Company. Reprinted with permission.

The company also made sure to focus its marketing strategy on maintaining the heritage and culture of both the Banovina region and the town of Petrinja. During the exhibit, the company had female employees dress in traditional Petrinja attire (see Figure 8) as they prepared Gavrilović sausages (Gavrilović, 2009). This tactic proved to be highly successful, for the people were reminded of the company's humble local beginnings and its long tradition of producing the highest quality meat products. The

Gavrilović Company understood the mind-set of the Croatian meat consumer: long tradition meant high quality. Thus, the Gavrilović Company was able to maintain its image of a small family business despite the fact that the company was growing at a record pace.



Figure 8. Traditional Attire in Petrinja. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2009 by Gavrilović Company. Reprinted with permission.

This type of marketing presentation was considered very innovative for the time, and once again led to an increase in name reputation and brand recognition in both Croatia and other parts of Europe. In fact, the Gavrilović Company decided to hire Andrija Maurović to create the famous Jelica logo that exists to this day (see Figure 9). Maurović is considered the "Father of Croatian and Yugoslav comics," and the company logo that Maurović created was modeled after the niece of Ivan Gavrilović (Gavrilović, 2009).

Thus, leading up to the start of World War 1, the Gavrilović Meat Company had secured a 50 percent market share in Croatian meat, and was also able to become one of the first dry sausage producers in Europe (Nožinić, 1970).



Figure 9. Jelica: The Model Used Since the Nineteenth Century. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2009 by Gavrilović Company. Reprinted with permission.

Emerging Competition

In the late 1800s and early 1900s, competition for a share in the Croatian meat market began to emerge. During the 1870s, Zagreb inventor Fillip Rabus made advances in meat canning technology that facilitated more efficient and more effective meat preservation and storage (Lovrić et al., 2004). The improved technology inspired local entrepreneurs to start their own businesses similar to Gavrilović. Research done by the

Danish embassy (2007) showed that in 1883, Rabus himself started "Sljeme Meat Industry" (the company today is known as "Sljeme, Sesvete"). Sljeme was named after the famous peak of the highest mountain in Zagreb County (Medvednica, n.d.). The company was located in Sesvete, a satellite town in Zagreb County (Sljeme, n.d.).

In the early days of the company, Rabus opened up a series of slaughterhouses, butcheries, and stores throughout Zagreb (Savez, 1932). His strategy of vertical integration allowed him to control the entire value chain. He chose to focus his operations specifically in the capital city of Zagreb, hoping to infiltrate the ever-expanding customer base that Gavrilović had there (Sljeme, n.d.). In fact, when Rabus saw that the Gavrilović Company was succeeding by emphasizing tradition and heritage, he chose a model for his product label that highly resembled the Gavrilović model. The only difference was that the Sljeme model, Jankić, was masculine (see Figure 10), while the Gavrilović model, Jelica, was feminine (see Figure 9). However, the Sljeme Company never achieved brand recognition and distinction, and it failed to craft an innovative marketing strategy to differentiate itself. Thus, Sljeme did not have much of an impact on Gavrilović's market share.



Figure 10. Jankić: Sljeme Model. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2009 by Gavrilović Company. Reprinted with permission.

Another company that capitalized on advances in the canning business was PIK Vrbovec. Like Gavrilović, PIK Vrbovec started as a small family business. The company began its operation in 1902 in the town of Vrbovec, which is located in the Zagreb region of Croatia (Lovrić et al., 2004). Within a short time, PIK Vrbovec was able to expand to a factory, though the company struggled to achieve factory-level production in the beef and pork segment of the market. PIK Vrbovec chose not to emphasize tradition and heritage in its marketing plan. In fact, the company chose a very basic and non-descript company logo (see Figure 11). Its decision not to focus on an innovative marketing strategy led to a failure to create brand recognition; thus PIK Vrbovec similarly had very little impact on Gavrilović's market share.



Figure 11. Pik Vrbovec Logo. From http://www.pik-vrbovec.hr/upload/tbl_logotipovi/pik_brand_logo. Copyright 2010 by Pik Vrbovec Company. Reprinted with permission.

In 1911, the "Belje Complex" added a slaughterhouse and salami plant to their already existing dairy plant and sugar factory in Croatia (Belje, n.d.). Belje originally started its operations in Austria in 1697. The rise of Queen Mary Therese and the Austro-Hungarian Empire allowed the company to grow from a small farming business to a full-fledged facility for agricultural production. The company had a strong tradition that rivaled that of Gavrilović. The company also had one of the most successful dairy plants in the entire Austro-Hungarian Empire.

By late 1911, Belje had a refrigeration unit, and its aggressive move into the Croatian meat market looked very promising (Belje, n.d.). However, because the company was over-diversified with a product mix of meat, dairy, wine, and sugar (Belje, n.d.), Belje failed to make a significant impact on the Croatian meat industry. In fact, their venture into the meat market was so unsuccessful that the company eventually

phased out their meat portfolio and pulled out of the market (Savez, 1935). Belje chose to refocus its efforts and concentrated on its successful dairy brands (see Figure 12).

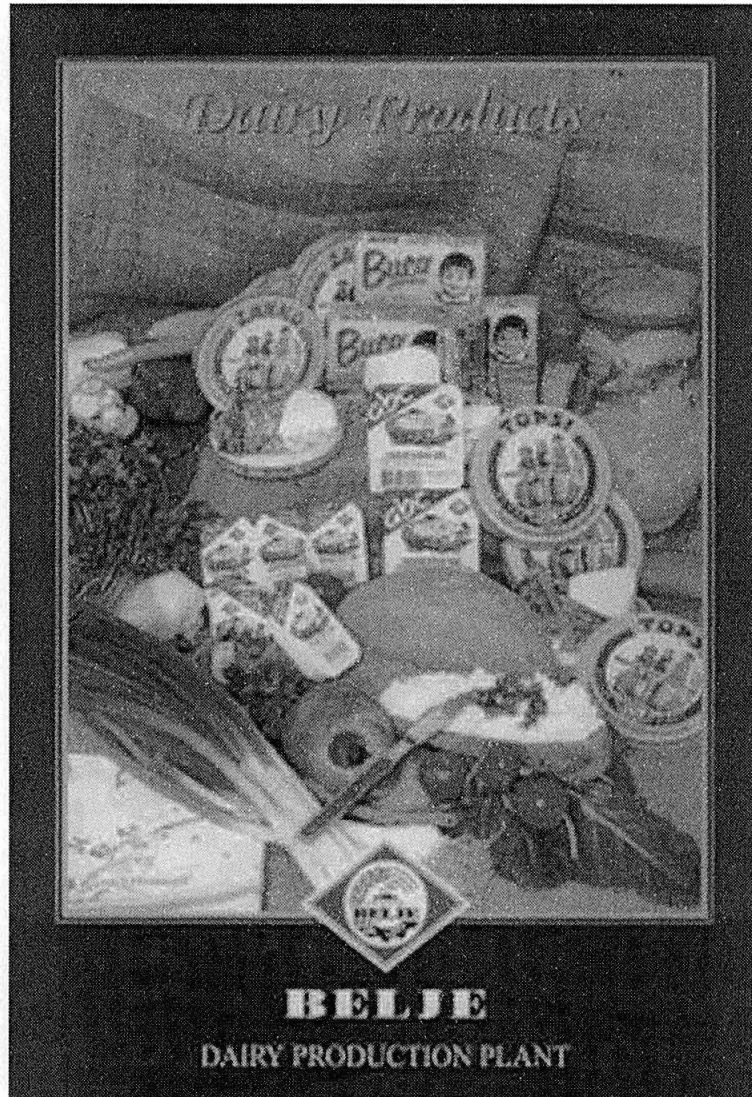


Figure 12. Belje and Its Famous Dairy Products. From <http://www.belje.hr/onama/povijest/1998.jpg>. Copyright 2007 by Belje Company. Reprinted with permission.

In 1912, Elemer Vajda, an Austrian Jew, took control of an egg, poultry, and meat trading business from Samuel Bayer, a merchant from Vienna (Lovrić et al., 2004). In 1918, Vajda relocated the company to Croatia and renamed it "Vajda Meat Industry" (Lovrić et al., 2004). The company established its headquarters in the town of Čakovec. The move allowed Vajda to add beef and pork production to its already existing production of eggs and poultry. The company soon gained a notable market share in the Međimurje County of Croatia (see Figure 13).

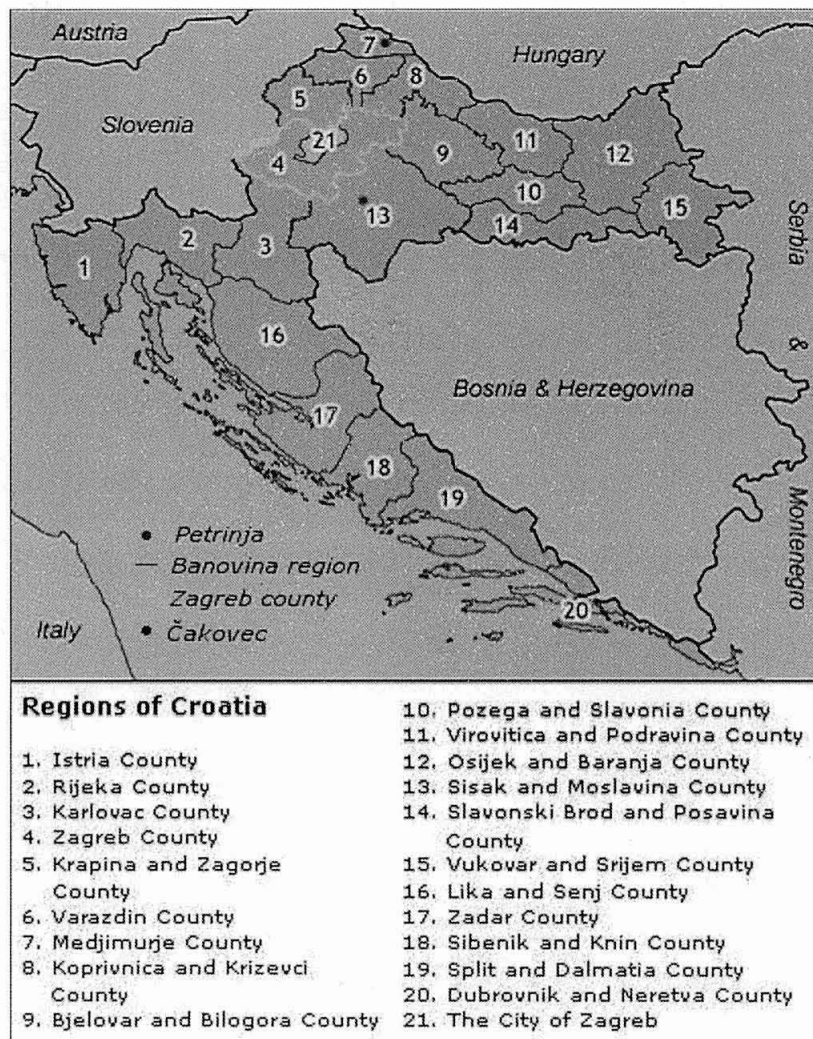


Figure 13. Međimurje County and Čakovec. From <http://www.map-of-croatia.co.uk>. Copyright 2005 by Rob Hilken. Reprinted with permission.

Vajda's success, however, would be short-lived as a result of the anti-Semitic dogmas that existed during the post-World War I period in Croatia. As seen in Figure 14, the Nazi movement in Croatia persuaded local authorities to establish laws that prevented Jews from owning food businesses (Horvatić & Mihalković, 2007). The laws also prevented Croats from purchasing any businesses started by, or previously owned, by Jews (Kalšan, 2006). For example, if a Croat was caught violating this law, he faced the prospect of two years in prison. Croats who were caught doing business with Jews were arrested, harassed, and even exiled. Eventually, the anti-Semitic sentiment became so strong that Vajda ceased operations until the political tide changed (Švob, 2004).

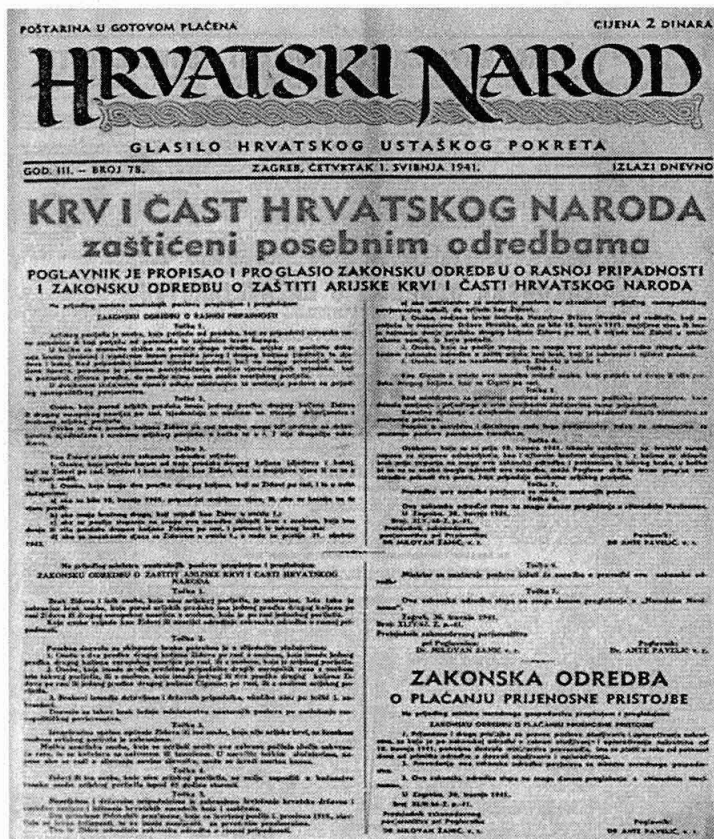


Figure 14. Legal Decree on the Protection of Aryan Blood and the Honor of the Croatian People. From <http://www.gavrilovic.hr/37663/povijest>.

World War I

As can be expected, very little information is found during the period of World War I. Because of the devastating impact this war caused throughout much of Europe, meat production was crippled. The dismantling of the Austro-Hungarian Empire created a void in leadership, and on December first of 1918, the Kingdom of Serbs, Croats, and Slovenes came into existence (Goldstein, 2003). The goal was to establish unity and freedom for the southern Slavic people. However, as Heaton (2004) states, this goal would be short-lived:

As its original name suggests, the nation that would be renamed Yugoslavia in 1929 was an amalgam of various Balkan ethnic groups. Despite the efforts of many, the uneasy alliance of Serbians, Croatians, Slovenians and others ensured the instability of the country when it was invaded by German troops in April 1941. In the wake of the German invasion, the ethnic tensions that had simmered for years just below the surface boiled over, and soon various partisan groups were fighting the Germans — and one another — for control of Yugoslavia.

The fall of the Austro-Hungarian Empire was especially harmful to Gavrilović because the company no longer had the favorable trade regulations that it had previously enjoyed (Shultz, Crnjak-Karanović, & Renko, 2005). As a result, the Gavrilović Company struggled immensely. However, because of its name recognition and brand reputation, Gavrilović was able to survive the war by becoming the major supplier of meat to the military (Nesek, 1993). Fortunately, post-war recovery did occur, though the company did not immediately regain its dominant market share. The war created a shortage of pigs in Austria, Russia, and France, as well as throughout most of the Ottoman Empire (Mayne, 1947). Farms were destroyed and many pigs were killed as a result of bombings during the war. Unable to find a viable solution to make up for the shortage of pigs, local meat industries saw a significant decrease in production. Once the full picture of this meat shortage was understood, the demand for Gavrilović meat once again increased. While the company continued to struggle during this

period, it did not succumb to the temptation to compromise quality for the sake of much needed sales. Once again, the Gavrilović Company was setting a precedent as the leader in the meat industry.

In 1928, Ivan's son, Georg Gavrilović, was now leading the company. He decided to introduce double shifts in the factory to expand capacity and to redevelop export markets (Shultz, Crnjak-Karanović, & Renko, 2005). In his interview with Kambić (2006), Đuro Gavrilović praised his father Georg, who provided state-of-the-art air conditioning systems throughout his factories; that in turn allowed the company to produce its renowned winter salami throughout the whole year. Production capacities began to increase, and by the 1930s the distribution network was expanded into France, Switzerland, Austria, Czechoslovakia, and Italy (Nožinić, 1970). By 1940, the company was able once again to reach its pre-war status of market dominance by producing 859 tons of winter salami per year (Gavrilović, 2004). Additionally, the company started its first two retail shops, one in Petrinja and the other in the town of Karlovac, situated in Zagreb County (Čavić, 1998). These shops were multi-purpose shops that not only sold meat products, but various other products such as books, shoes, and hardware items. However, the good times were short lived, for the world was about to be engulfed by World War II.

World War II

Just as in World War I, Gavrilović was able to survive World War II by continually supplying meat to the military (Kušanić, 2002). However, a seemingly insignificant name change prior to World War II ended up becoming the major reason for Gavrilović making it through this tumultuous time. Right before the start of the war, according to Nožinić (1970), the company renamed its factory to "Prva Hrvatska tvornica

salame, masti i mesa" ("The First Croatian Factory of Salami, Fat, and Meat"). This name change signified tradition and stability, and was quickly embraced during a time when the cries for Croatian independence were growing louder and louder. A strong sense of patriotism was beginning to manifest itself throughout Croatia, and this allowed Gavrilović to gain widespread name and brand recognition as consumers felt a special affinity with the company.

With the dismantling of the Kingdom of the Serbs, Croats, and Slovenes by both German and Italian forces, the Independent State of Croatia ("Nezavisna Država Hrvatska") came into existence (Hoffman, 1969). The Independent State of Croatia (NDH) was formed by Nazi Germany on April 10, 1941. The state was technically a monarchy, protected by the Italian-born King, Prince Aimone of Savoy-Aosta ("Tomislav II"). The Nazis appointed a Croatian politician, Ante Pavelić, to be the puppet governor of NDH (Pavličević, 2007). This ensured that the newly formed Independent State of Croatia would remain sympathetic and subordinate to the Nazi regime. According to a 1923 issue of Time magazine (Yugoslavia, 1923), the state would become a territorial condominium of Germany and Italy.

Although formed as a result of Nazi influence, NDH became a source of pride to the Croatian people. Many of the people became highly nationalistic, considering it their duty to uphold the tradition of Croatia. Croatian partisans, members of a local militia group, were also highly nationalistic, and they refused to support either the Nazis or the allies (Miškulin, 2005). However, those were not the only enemies that the Croatian partisans would face. In the October (2004) issue of World War II magazine, Heaton interviewed one of Tito's communist partisans who revealed how confusing and difficult

those times really were:

WWII: What made you decide to become a partisan?

Milo Stavic: Most of us who were nationalists wanted a Yugoslavia free of one-party domination. We were not all necessarily Communists. However, once the Germans invaded the country and Belgrade fell in April 1941 we were forced into action, as Serbs were being killed by Croatian forces. It was this activity that created the great partisan movement, nothing else.

WWII: What was life like living in the mountains and fighting the enemy?

Milo Stavic: Which enemy? We had nationalist and pro-monarchist Serbs, Croats, the Chetniks under Mihailovic, the Germans — the list was long. Life on the run was harsh.

WWII: All of the brutality was not on the other side. Didn't Tito order killings?

Milo Stavic: Yes, this is true. If you are investigating history you must look at both sides, and Tito made mistakes. When he realized that he was alienating much of the population, especially Catholics, he changed his tactics. This change in attitude would also carry over into the postwar politics when he was President. I think this was what made him a great leader—also the fact that he never bowed down to Stalin and the Communists in Moscow.

WWII: In your opinion, what was a positive result of the war in Yugoslavia?

Milo Stavic: We had our own country again, free of both Western and

Soviet domination and led by a man who could keep the nation together. Once Tito died things began to get a little shaky, and now we have all kinds of problems. Old ethnic rivalries are flaring up again, and this will serve no purpose. I think the future will prove very difficult, but only time will tell. (Heaton, 2004)

Because the Croatian partisans viewed the Gavrilović Company as a source of national pride and culture, they ended up protecting the company from various potential enemies (Golec, 1993). Thus, through patriotic branding, as well as supplying food to the armies in the region, Gavrilović was able to survive through the region's most tumultuous period in recent history.

Tito and Nationalization

Following World War II, Josip Broz Tito introduced the era of socialism to Yugoslavia, a country that Croatia was now a part of (West, 1995). Under Tito's savvy leadership, Yugoslavia was able to maintain freedom and flexibility when it came to its relationship with Communist Russia and the Capitalist West. Tito's party was called "Savez komunista Jugoslavije" (League of Communists of Yugoslavia), and it lasted from 1937 to 1980 (Ramet, 2006). What made his party unique was that it was the first Communist Party in history that openly opposed policies directed by the Soviet Union. Thus, in 1948, Stalin expelled Tito's Yugoslavia from the Communist Information Bureau, or Cominform. According to Perić-Zimonjić (2009), Cominform was essentially the Communist version of NATO, coordinating actions among Communist parties under Soviet direction. Shortly after its removal from Cominform, Tito's party renamed itself the "League of Communists" and adopted a form of Independent Communism known as

Titoism. Bell (2001) explained that Titoism was directed by the principle that each country was responsible for dictating the means by which it could attain Communist goals, independent of the Soviet Union.

Prime Minister Tito immediately began to nationalize every sector of the economy, including the meat sector (Greenberg, 1999). Unfortunately, as Đuro Gavrilović stated in his 2006 interview, many companies in Croatia saw this nationalization as another term for government theft (Šimatović, 2006). The government imposed an authoritarian style of control that cared very little for the vision and values of corporate ownership (McNally, 1993). Those who chose to rebel against this control were either killed or thrown in jail. However, the strong arm of Tito's nationalization was not limited to the corporate sector. In a recent interview, famous Yugoslav actress Eva Ras talked about how her family was considered a public enemy of Tito's regime,

A public enemy was anyone who refused to publicly proclaim membership and approval of Tito's party. My mother's side of the family was looked upon as a public enemy, while my father's side was viewed to be aristocratic. Unfortunately, these two groups were considered the most negative elements of the rising socialist regime. Thus, our family had our property and possessions taken away for the 'Greater Good' of Yugoslavia, just as most of the companies did during that time. Even in primary school I suffered from this type of political discrimination. Because of my family background, I was always put in the last row by the teachers, and getting to college was a very difficult journey for me. (Gatarić, 2009)

Unfortunately, this same type of government opposition was felt by the Gavrilović family as well. In an interview conducted in 2006, Đuro Gavrilović stated that Tito's regime had his father Georg Gavrilović thrown in jail, and subsequently took over the company from the family (Šimatović, 2006). Although Đuro Gavrilović was kept on as an advisor, he did not have final decision-making authority. He was retained because of his last name and excellent managerial skills (Kambić, 2006). The government recognized the years of experience and entrepreneurial spirit that allowed the Gavrilović Company to become a market leader in the meat industry. Also, the government knew how to capitalize on that experience and expertise. However, all Gavrilović profits were deposited into the nationalization fund. The government controlled this fund, and it was Tito's government that decided where and to whom the monies were allocated (Glenny, 1996). Some of the monies were allocated to pay employee wages for the various companies in Croatia. Other monies were allocated for various restructuring projects. However, large sums were deposited directly into the government coffers, a sad truth that would be exposed after Tito's death (Gray, n.d.). Vladimir Unkovski wrote,

The vanguard of its revolution had had their origins in Stalin's purges of earlier years. For this reason, and for the objective temptations of unlimited power, Yugoslav socialism remained but an offshoot, however bright in many ways, of Stalinism. Self-management and democracy in Yugoslavia were never allowed in their entirety; the State remained always the supreme authority. The might and growth of the bureaucracy

that ruled the nation often made grave tactical errors that could have been avoided, in all probability, had workers and professionals collaborated in decision-making. An example could perhaps be the two billion dollar Smederovo steel works in Serbia, a factory that was never as efficient as was desired (it never returned a profit). Obviously, the interests of the bureaucracy would always prevail over those of the workers. (2002)

Interestingly, years of a defined focus on building name reputation and brand recognition ended up providing an unexpected benefit to the Gavrilović family. The Gavrilović name had gained such widespread respect throughout the Soviet Union that the government felt it best for a leader like Georg Gavrilović to use his entrepreneurial talents as a free man. One of the primary reasons for this was that Georg Gavrilović had earlier developed a more efficient way of canning meat products, and numerous Soviet factories benefited through their use of this enhanced canning system (Čavić, 1998). Thus, the Soviet government ended up pressuring Tito for the release of Georg Gavrilović from prison (Lovrić et al., 2004).

Upon his release, Georg Gavrilović was shipped to another meat company, PIK Vrbovec, and was given a position as an advisor. World War II had devastated PIK Vrbovec, and Georg Gavrilović was brought on to help guide it through its financial crisis (Nožinić, 1970). Once again, the Gavrilović reputation for business expertise was the catalyst for the government decision. The government wanted profitable companies, especially meat companies, and they knew which family was most effective in this endeavor. The government did not care that PIK Vrbovec was a competitor with

Gavrilović in the meat industry. It only cared about profits, and it knew that the proven Gavrilović model provided the best chance for profitability.

Tito's bold move of breaking relations with Stalin allowed him to enhance relations with the West (Lydall, 1989). Although this move ended up providing a surplus of funds coming into Tito's Yugoslavia, these loans would eventually accrue such enormous interest that the country would collapse (Flaherty, 1982). However, for the next 30 years of Tito's reign, Tito would enjoy a steady influx of foreign loans from the West (Woodward, 1995). According to Pecotich, Renko, and Shultz (1994), Tito's move damaged his economic relations with the entire Soviet Bloc. This ended up negatively impacting many of the industries in Yugoslavia that had previously depended on good relations with the Soviets. However, because the Gavrilović Company already had stable and established markets in Austria, Hungary, and France, the company was not as negatively affected by Tito's political maneuverings. Močnik (2008) summarizes the unique position that Tito's diplomatic maneuverings gave Yugoslavia:

Yugoslavia made the most of its unique position as a Communist state outside of the Soviet sphere of influence. It maintained its independence against the Bloc's threats while retaining a certain amount of influence in Communist affairs. It obtained large amounts of economic and military assistance from the West while continuing to criticize and oppose its benefactors on a wide range of issues. Above all, Yugoslavia used these

successes to achieve a position of leadership among the nonaligned countries and to acquire international prestige disproportionate to its size and relative geo-strategic importance. (Močnik, 2008)

Yugoslavia was considered the freest of the communist states, and while large industry was nationalized, Tito's system allowed for small businesses (Hewitt, n.d.). Flaherty (n.d.) stated,

The economy was organized as a mixed planned socialist economy and a decentralized, worker managed market socialist economy: factories were nationalized, and workers were entitled to a certain share of their profits. Privately owned craft shops could employ up to 4 people per owner. In 1950's, socialist self-management was introduced, which reduced the state control of the economy. Managers of socially owned companies were supervised by worker councils, which were made up of all employees, with one vote each. The worker councils also appointed the management, often by secret ballot. The Communist Party was organized in all companies and most influential employees were likely to be members of the party, so the managers were often, but not always, appointed only with the consent of the party. In 1950, Yugoslavia's Gross Domestic Product ranked twenty-second in Europe.

It is interesting to note that it was actually during the time of Tito's nationalization that the Gavrilović Company was able to make great strides in its export market. In 1952, the company began to export dry meats to Britain (Shultz, Crnjak-Karanović, & Renko, 2005). It was during this time that the Gavrilović Company struck an export deal with the British company Harrods. Harrods is a high-end department store, and the Harrods brand also includes Harrods Bank, Harrods Estates, Harrods Aviation and Air Harrods, and Harrods Buenos Aires (Harrods, 2010).

This achievement was monumental because the worldwide meat market at that time was considered to be saturated (Haynes, 1988). Thus, penetrating these new markets, especially under Tito's nationalistic regime, set the Gavrilović Company apart as a major player not only in the domestic market but in the global market as well (see Figure 15).



Figure 15. Export Advertisement During the Tito Era. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2009 by Gavrilović Company. Reprinted with permission.

Individually, however, the Gavrilović family suffered from Tito's bold break from the Soviets. Tito now required uncompromising loyalty to his League of Communist party, and he demanded that people proclaim membership to his party publicly (Brown, 2005). Because Georg Gavrilović refused to accept Tito's demand, he was threatened with life imprisonment (Šimatović, 2006). This led him to seek asylum in Austria, another country that had great respect for the Gavrilović name. Years of good relations, initially established during the Austro-Hungarian Empire and continuing on after its collapse, allowed for a door of protection to be opened. Thus, in 1957, Georg Gavrilović and his family found asylum in Austria, a place where they would stay until the death of Tito in 1980 (Kambić, 2006).

With the Gavrilović family gone, Tito's government ended up handpicking a board that simply followed the business model that had successfully been established. This board was Serbian dominated and based more on political loyalty rather than on business acumen (Kušanić, 2002), a complete change compared to the prior boards, which were comprised primarily of Croats. Gavrilović was founded as a Croatian company, and was always led by Croats. These leaders understood Croatian culture and tradition, and they knew how to create brand awareness and confidence among Croatian consumers. However, the Serbian Board was comprised of members of Tito's League of Communists of Yugoslavia, and they were interested in pleasing Tito (Državni uređ, 2003). Therefore, they were not as concerned about maintaining heritage and tradition. Instead, they wanted to maintain members from Tito's party in company leadership. For example, Pajo Manojlović was a Serbian-appointed CEO from 1945 to

1960. His immediate successor was another Serbian, Živko Juzbašić, who was CEO from 1960 to 1973 (Đuričić, 2005).

Borislav Mikelić, a Serb born in Bosnia, lived in Petrinja and became a leading member in the Savez Komunist Hrvatske–SKH (Central Committee of the League of Communist of Croatia), and was later elected to the Central Committee of the League of Communists of Yugoslavia (Grakalić, 2004). Mikelić was a prominent ethnic Serb in the Croatian party hierarchy, and he became the director of the Gavrilović Company in 1973 (Đuričić, 2005). In 1992, he resigned from his position with the Gavrilović Company, becoming the leader of the Serb forces in the area of Petrinja during the civil war against the Croats. After the war he was tried and convicted as a war criminal for the atrocities that were committed against Croats by Serb forces under his command (Grakalić, 2004).

Fortunately, as Đuro Gavrilović confirmed in several interviews, a number of Gavrilović loyalists were able to retain their positions in the company, allowing Georg and Đuro Gavrilović to be kept aware of what was happening while they were in Austria (Odorčić, 2009). These loyalists would prove to be valuable assets as they strove to keep the Gavrilović spirit alive until the family was able once again to regain control of the Gavrilović Company in 1991. In an interview conducted by Andrew Vuksic (Vuksic, 2010), a Croatian citizen named Ante Vnuk described the immense struggles he experienced as a Croat during World War II and the Tito era:

Andrew Vuksic: Please describe some of what you experienced during World War II.

Ante Vnuk: I was born in a small Croatian town of Slunj in May of 1933. The war started in 1940 and I was quickly introduced to the concept of the "Way of the Cross." Croatian citizens who chose not to join the Yugoslav army were gathered like animals and led like lambs to the slaughter. Large groups of Croatian people were taken prisoner and led eastward on a journey of torture and death. How could this have happened to the Croatian people? Simple, a large majority of the Yugoslav army was comprised of Serbians who wanted to see the demise of the Independent State of Croatia (NDH). Although I made it through this terrible time, my whole family perished on the "Way of the Cross."

Andrew Vuksic: Please describe what it was like after World War II when Tito came into power.

Ante Vnuk: I ended up in an eastern town of Croatia called Osijek. The economy was ruined, the NDH currency (Kuna) was slowly being replaced by Tito's new currency (Dinar). The transition was very slow, causing most people to avoid both currencies altogether. Consequently, the currency of choice was your personal household goods that you could sell for food and other necessities. I worked all day long for almost nothing. Basically, it was understood that I could not come home at night unless I brought food. Nobody cared where I got the food or how I got the food; the main thing was to get food to eat.

Andrew Vuksic: Please describe your experience as an adult once Tito's regime was fully and firmly established.

Ante Vnuk: I lived and started my family in Zagreb, the capital of Croatia. Although there were many job opportunities, advancement was almost impossible if you were not a loyalist to Tito's party and if you did not have Serbian blood. Because of Tito's strong armed control, the working class Croatian never dared to criticize the regime. Instead, we kept our discontent and criticism among ourselves. I even taught my children to never dare speak against Tito in school. We lived in constant fear, for one mistake could cost the lives of my entire family.

Andrew Vuksic: What does the term "Titonostalgia" mean to you?

Ante Vnuk: "Titonostalgia" refers to the feeling that some people currently have who lived during Tito's time. They look back on what they consider to be great times and wish those same times could be here today. Tito was a god to them. We were all indoctrinated in school and by the media that Titoism could do no wrong. However, I experienced something very different. Inflation was so bad that I could not fit all the dinars in my wallet. What do I mean by that? Although I had a huge pile of dinars, they were essentially worthless. I would literally have to carry two wallets full of dinars for a simple trip to the grocery store. This continued to get worse and worse until Tito finally died in 1980. For most Croatians, "Titonostalgia" is a deluded memory of deluded times.

Nevertheless, many people in former Yugoslavia still think of Tito's rule as a golden era compared to the war years before he came to power and after his death. Tvrtko Jakovina, a historian from Croatia, says it was Tito's vision and diplomacy that made him a successful leader,

As a historian of the Cold War era, it seems to me that he is just about the only historical personality that I can study and still remain in step with the rest of the world. That is probably the only period when my people played some sort of pivotal role in world events. In the light of everything that has happened since then, it seems like science fiction.

(Synovitz, 2010)

Each year, on the anniversary of Tito's death on May 4, 1980, people from all over the former Yugoslavia visit his birthplace at Kumrovec in Croatia (Synovitz, 2010). Numerous organizations have been established across former Yugoslavia to keep Tito's memory alive:

In Slovenia, Tito has become a kind of pop icon for youngsters, who wear T-shirts and badges bearing his image. And in Belgrade—the city that arguably has felt most keenly the loss of the Yugoslav Republic—thousands of people in recent weeks have visited Tito's tomb at the Yugoslav Museum of History and museum exhibitions that feature exhibitions of Tito memorabilia. (Synovitz, 2010)

Ljubica Gulic, a 61-year-old Belgrade resident, remembered that life was simpler and more comfortable for Yugoslav citizens than people in other communist countries:

I remember President Tito because it was one of the most carefree periods of my life. Compared to the present, I was happy and satisfied back then. I was not afraid of anything. My job was secure, everything was affordable. Now I can't go to sleep because I am afraid that something will happen. Regardless of people who think that [Tito's era] was a period of fear, in my opinion it was more peaceful. People were happier. [Tito] had charisma. (Synovitz, 2010)

However, not everybody viewed the Tito era with the same feelings of nostalgia. Magaš (1993) stated that Tito's primary goal for international relations was to create an image of an economically stable Yugoslavia. One of the ways he did this was to force many companies to take on additional employees, even though the companies did not have the need or the means to pay these workers. Tito's government wanted to give the world the impression that there was little to no unemployment in Yugoslavia, hoping that this would bolster confidence and inspire additional capital from foreign alliances (West, 1995). Thus, even those Yugoslavians who were employed in other countries, such as Germany, were counted by Tito's regime as people who were employed by Yugoslavia (Gray, n.d.).

In 2006, Đuro Gavrilović, Sr. stated in an interview that the Gavrilović Company amassed large debt as the company grew from 2000 employees to 6000 employees, even

though this increase of employees did not have a parallel effect in higher production (Čavić, 1998). Although Yugoslavia received approximately \$2 billion from the United States (see Table 3), the country seemed to be going backwards economically. What made things even more suspect was that the money Yugoslavia received was considered "a huge amount for a country of less than 20 million people if compared to India's size and the amount of aid, and while still favoring generally pro-Soviet views" (Brown, 1990).

Table 3

Soviet and American Aid to Non-Aligned Countries

AID, IN MILLIONS OF U.S. DOLLARS, FROM:						
COUNTRY	<u>Block, 1954-61</u>			<u>U.S., 1945-61</u>		
	Economic	Military	Total	Economic	Military	Total
Afghanistan	217	110	327	180	3	183
Algeria	0	12+	12+	0	0	0
Cambodia	56	0	56	220	78	298
Cuba	357	100+	457+	41	11	52
Ghana	108	some	108+	7	0	7
Ethiopia	114	0	114	124	57	181
India	1,000	0	1,000	3,072	0	3,072
Indonesia	600+	830	1,430	583	Some	583+
Iraq	216	240+	456+	21	46	67
UAR*	800	700+	1,500+	439	0	439
Yugoslavia	111	0	111	1,587	694	2,281

Note. * = United Arab Republic (Union between Syria and Egypt). From J. Močnik, 2008, *United States-Yugoslav Relations, 1961-1980: The Twilight of Tito's Era and the Role of Ambassadorial Diplomacy in the Making of America's Yugoslav Policy* (Doctoral dissertation).

George F. Keenan, United States Ambassador to Yugoslavia during the Kennedy era, also discovered that Tito's "Yugoslav Model" was not as effective as advertised. Močnik (2008) writes,

When Kennan visited Yugoslavia in 1965 he could not hide his disappointment with Yugoslavia's economic situation that had worsened over the last two years. There was no sign of economic progress. The economic reforms of the mid 1960s engendered disappointment. Economic growth was slowing from 9.7 percent to 6 percent (as recorded annually for the 1954-1965 and the 1966-1970 periods respectively); the employment rate slowed down from 5.9 percent annually to 1 percent; and labor productivity was not growing as anticipated. The economic experiment which had its long-term goal to achieve the "socialist market economy" was experiencing severe difficulties. Yugoslavia was in serious economic troubles that were arising from high inflation, heavy indebtedness, bureaucratic inertia with implementing the reform, and obstructionism on all levels of the society.

The "Yugoslav Model" forced companies to have total dependence on the government (Gray, n.d.). When the government chose to provide an influx of capital to a company, the company was able to grow. Also, when the government chose to endorse a particular company, that company would benefit (see Figure 16). However, when the government decided to withhold capital and impose sanctions, the company would

struggle immensely. Consequently, companies were constantly under pressure to adapt and to come up with new business strategies, or simply go under.

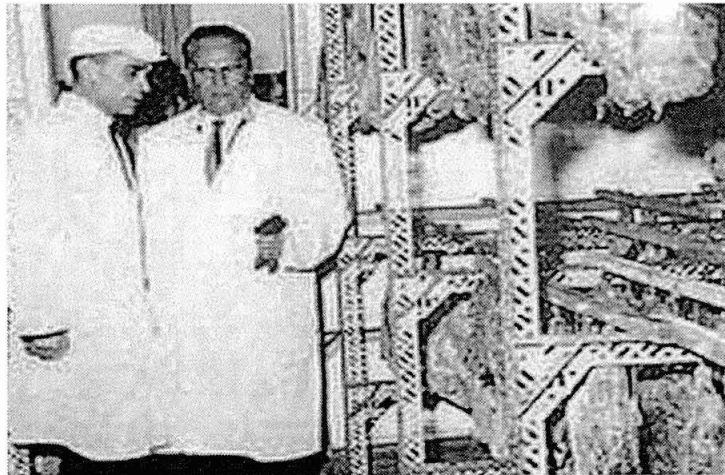


Figure 16. Tito Visiting One of the Gavrilović Factories. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2009 by Gavrilović Company. Reprinted with permission.

After Georg Gavrilović fled to Austria, Sljeme Meat Industry and PIK Vrbovec suffered immensely. Tito's nationalization crippled the two companies, and their only hope for survival was to merge. In 1959, the two companies merged and stayed together under the name "Sljeme Meat Industry" until 1962 (Belje, n.d.). Both Belje and Vajda were also devastated under Tito's regime, and they were not able to recover until after Tito's death in 1980. Belje struggled because it failed to gain brand awareness and market share, while Vajda struggled because of anti-Semitic laws and stringent regulations concerning trade (Horvatić & Mihalković, 2007).

Fortunately for Gavrilović, loyalists in the company were able to influence the new board in such a way that the company was able to adapt to market situations creatively. A great example of this occurred when the government imposed a military

food supply program, choosing the Gavrilović Company to provide meat to Tito's military forces. At that time they were the only meat company that had this type of contract with the Yugoslav army (Shultz, Crnjak-Karanović, & Renko, 2005). Although most of the profits went to the government, the Gavrilović Company did end up receiving a certain percentage for the restructuring and expansion of their facilities. Interestingly, it was during the Tito regime that 40% of the current Gavrilović facilities (see Figure 17) were built. Once again, the Gavrilović Company showed that it was able to adapt to various governmental and market influences (Nožinić, 1970).



Figure 17. New Factory Built During Tito's Rule. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2009 by Gavrilović Company. Reprinted with permission.

However, another unexpected benefit occurred as well. Through their contract with the military, Gavrilović discovered that their liver paté was a very popular item. To satisfy requirements for the military, Gavrilović learned to produce this high-quality

product at low cost. Leveraging this favorable combination, they were able to produce the product efficiently for the consumer market. This creative move ended up being a big hit. Whereas, previously, the Gavrilović Company had primarily focused on high-end, high-cost meat products, the company was now able to manufacture a new type of product, one that was low in cost and high in demand (Čavić, 1998). This development opened the door for a new market, and turned out to be a very profitable move, both in the short and long term. Every citizen in Yugoslavia was now able to afford Gavrilović meat, thus increasing profits and enhancing name recognition. The élite in Socialist Yugoslavia were able to enjoy premium Gavrilović products, and the common person in Socialist Yugoslavia was able to enjoy low-cost Gavrilović products (Shultz, Crnjak-Karanović, & Renko, 2005). This allowed the company to cater to the needs of the dominant social classes in Tito's regime.

Additionally, the company now became a clean industry, utilizing every part of the animal in its processing and production of various meat products (Gavrilović, 2004). This practice of utilizing every part of the animal is similar to what many of the successful western companies in the same industry had done to maximize profits. Thus, by implementing this type of system, the Gavrilović Company set itself apart in efficiency and productivity in the Yugoslav meat industry.

Another unexpected benefit of the military food program was that the Gavrilović brand became very popular with the male population in Yugoslavia. Because military training was mandatory, every healthy male in the country had daily contact with Gavrilović products. The outcome of this brand recognition among males is seen even in the present day. The latest survey conducted in 2004 revealed that 90 percent of the male

population in all former Yugoslav countries is familiar with the Gavrilović brand (Puls, 2004).

However, not all developments made within the Gavrilović Company during Tito's regime met with the same type of success. Government intervention forced the Gavrilović Company to diversify its business to become an example of what Hanke (2007) called "a poster child of a well-rounded successful socialist firm." Therefore, the two retail shops, located in Petrinja and Karlovac and founded in 1946, ended up expanding to 200 multi-purpose shops that were placed all over Yugoslavia (Shultz, Crnjak-Karanović, & Renko, 2005). These shops started selling various products such as shoes, general hardware, and various other non-meat food products from different producers. This type of forced diversification proved to be a major strategic mistake (Shultz, Crnjak-Karanović, & Renko, 2005). The company image was watered down and brand recognition was adversely influenced. Thus, the Gavrilović Company started to experience many negative effects: 1) the cost of maintaining these new shops was high in comparison to the profits that came in; 2) the company started to accumulate debt because it was forced to take on an abundance of employees; and 3) the company took on additional expenses because it had to outsource distribution of its products. The Gavrilović Company did not have its own distribution transport system under the Tito regime (Gavrilović, 2004; Šustić, 1997).

Many consider the period spanning the late 1960s to the early 1980s to be the peak of Tito's regime (Greenberg, 1999). During this time, Tito was a major world figure who received funding from all of the major world powers, including Russia. This steady influx of capital boosted the Yugoslavian economy, and stimulated the demand for meat

products. As a result, the Gavrilović Company was able to establish a quality control department that was considered to be the first of its kind in Yugoslavia and among the first in Europe (Gavrilović d.o.o., 2004).

In the early 1970s, the company established a new department that was primarily focused on researching market and consumer needs (Čavić, 1998). The establishment of this department was considered a pioneering move for this region of Europe. The company also did testing of packages and promotional messages to generate a clear understanding of what the public wanted (Čavić, 1998). It expanded its marketing efforts through television, radio, and the newspaper. It even became one of the major sponsors of the 1984 winter Olympics in Sarajevo, as well the 1987 Collegiate Olympics in Zagreb (Shultz, Crnjak-Karanović, & Renko, 2005).

Throughout the Tito regime, the Gavrilović Company was able to overcome oppressive measures and seemingly impossible odds to gain major market status and worldwide recognition. However, after Tito's death, things quickly changed and the company found itself in a completely new and unstable market environment.

Post Tito

After the death of Tito in 1980, the government decided to implement a rotating system of leadership. This meant that each of the republics in Yugoslavia (see Figure 18) was entitled to have a representative Chairman of the Presidency who acted as head of the state for a period of one year (Woodward, 1995).

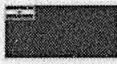












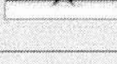
Name	Capital	Flag	Coat of Arms	Location
Socialist Republic of Bosnia and Herzegovina	Sarajevo			
Socialist Republic of Croatia	Zagreb			
Socialist Republic of Macedonia	Skopje			
Socialist Republic of Montenegro	Titograd			
Socialist Republic of Serbia Socialist Autonomous Province of Kosovo Socialist Autonomous Province of Vojvodina	Belgrade Priština Novi Sad			
Socialist Republic of Slovenia	Ljubljana			

Figure 18. The Republics of Former Yugoslavia. From <http://en.wikipedia.org/wiki/Yugoslavia>. Copyright 2011 by Wikipedia. Reprinted with permission.

Unfortunately, many claimed that this rotating system unfairly favored Serbian loyalists, and therefore several republics threatened to go independent. This desire for independence eventually led to the collapse of the economy. In the 1980s, Serbia began to take control of Croatian and Slovenian companies in Serbian territory (Benson, 2001). Serbia also took control of the federal monetary system in Yugoslavia, forcing high taxes on Slovenia and Croatia, while giving favorable tax breaks to the submissive smaller and less influential republics. The goal was to gain the loyalty of the smaller republics so as get to more voting power on the federal level (Benson, 2001).

In 1987, Slobodan Milošević declared himself to be the defender of Serbia (Benson, 2001). Milošević soon became recognized as the leader of Serbia, taking

control of the governments of Vojvodina, Kosovo, and the neighboring Socialist Republic of Montenegro. Benson (2001) stated,

Milošević now directly controlled four out of eight votes in the collective head-of-state by January 10, 1989. This situation severely aggravated the governments of SR Croatia and SR Slovenia, along with the ethnic Albanians of SAP Kosovo, all of whom soon found themselves in conflict with Milošević. SR Bosnia and Herzegovina and SR Macedonia remained relatively neutral.

Economic factors led to the dismantling of Yugoslavia as well. Since Croatia and Slovenia were financially stronger than the other republics, they provided more job opportunities and put more money into the Yugoslav system (Madžar, 1994). Therefore, from a purely economic perspective, Croatia and Slovenia had an incentive to become independent. Also, after Tito's death, each republic was given more decision-making authority within its borders, particularly the authority to control production potential (Madžar, 1994). Thus, a weaker federal government of Yugoslavia, combined with a stronger local government within the republics, contributed to the dismantling of the country (Madžar, 1994).

Another factor that contributed to the dismantling of Yugoslavia was the high dependency that each republic had on the other republics for the trade of goods (Petak, 2005). At least one third of the Gross Domestic Product of a republic was accounted for

by inter-republic trading. As expected, Croatia and Slovenia were less dependent on the Yugoslav market than the smaller republics of Montenegro and Macedonia, though both Croatia and Slovenia were still highly dependent on inter-republic economic activities (Petak, 2005).

The dismantling of Yugoslavia cut off inter-republic relationships, which in turn cut financial spending. Petak (2005) stated that generally the final spending of each republic was around 50% of the Gross Domestic Product within its own borders, 30 to 35% of inter-republic spending, and 15 to 20% of international spending. Therefore, an even bigger problem than dependence on inter-republic trading was economic isolation in the global economy, including Yugoslavia's very weak focus and presence in the western European markets.

However, these were not the only reasons why the country and economy collapsed after Tito's death. Yugoslavia accumulated a significant amount of foreign debt during the Tito era (Magaš, 1993). Tito's ability to foster foreign alliances and borrow from them with relative ease eventually came back to haunt the country. Foreign alliances felt comfortable lending money to Tito, and they patiently allowed the debt to remain outstanding. However, these same alliances became very nervous in the political and economic instability that resulted from Tito's death and therefore demanded that the debt be satisfied. Gauthier (1999) described the economy at the end of Tito's reign:

During the 1970s, 15 percent of the population was below the poverty line.

This figure jumped to 48 percent in the mid- 1980s and to 60 percent at the end of the 80s! The cause? At the end of the 1970s, as a result of the

pro-capitalist policies of the Tito bureaucracy, Yugoslavia found itself burdened with a debt of US \$20 billion. It was during these years that the International Monetary Fund imposed its infamous Structural Adjustment Plans, which in every country of the world have led to the same disasters. Debt servicing amounted to 25 percent of exports in 1978 and 45 percent in 1983. (Gauthier, 1999)

Figure 19 illustrates the pressure Yugoslavia was under to satisfy its debt after the death of Tito. This pressure led to more money being printed, and a severe state of inflation ensued (Shultz, Burkink, Grbac, & Renko, 2005). This severe state of inflation, in turn, led to the collapse of Yugoslavia. The results were devastating: high unemployment, inflation, increased social inequality, and a concentration and centralization of capital (Flaherty, 1982). From 1954 to 1980, Tito was able to borrow funds with relative freedom and with little pressure to pay back the debt. Consequently, both Gross Domestic Product and real earnings increased at a staggering rate. However, after Tito's death in 1980, Yugoslavia was under pressure to pay back its debt. Consequently, GDP stayed stagnant and real earnings dropped significantly. During the period of the Civil War (1990-1995), both GDP and real earnings collapsed, with the disparity between the two at an all-time high.

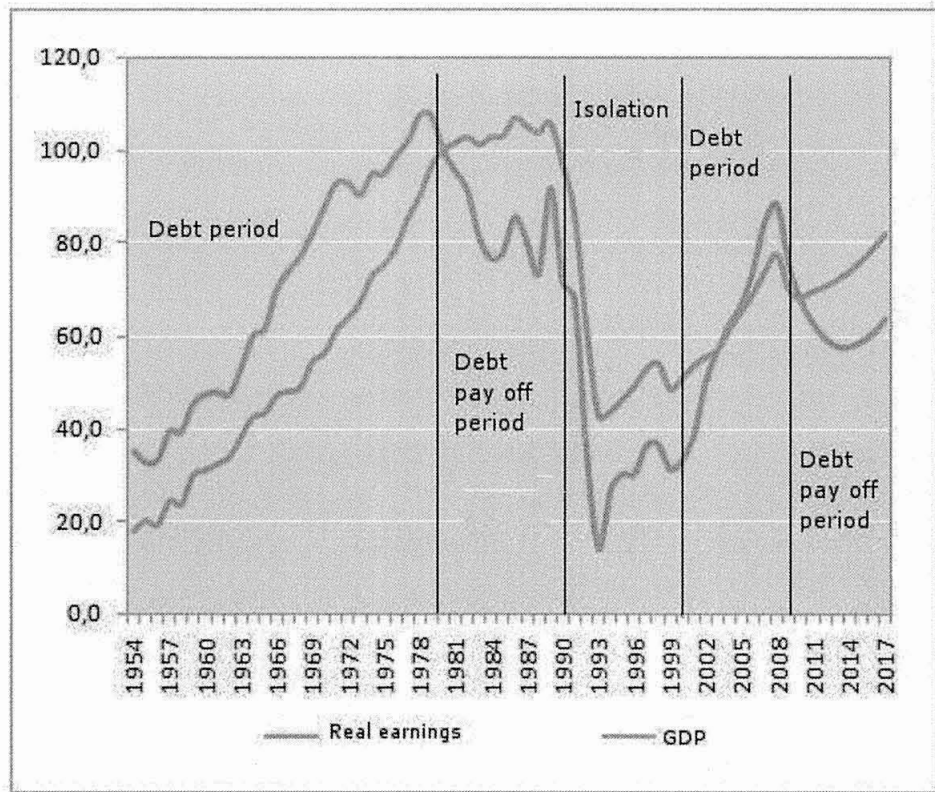


Figure 19. GDP and Real Earnings During and After Tito. From "The Great Yugoslav Failure," by S. Greenberg, 1999, *New Statesman*, 128.

According to Bhatia (1988), the annual interest rate on Yugoslavia's debt during this period was approximately 3 billion to 4 billion U.S. dollars (Bhatia, 1988). The pressure of meeting the debt obligation became a huge burden for the country. Therefore, the government took drastic measures by cutting most of the social budgets, creating widespread unemployment. Inflation skyrocketed to 2,000 percent during this time (Chossudovsky, 1997). Table 4 reveals how inflation began to increase near the end of Tito's reign. The staggering rate of this increase also led to a continual increase in the cost of living (Lydall, 1989). This inevitably led to a state of panic and strikes

throughout the country. In the first nine months of 1987, there were more than 1,000 strikes involving 150,000 workers (Greenberg, 1999).

Table 4

Changes in the Cost of Living and Money Supply

Year	Increase in money supply (%)	Change in cost of living (%)
1977	15.2	21.6
1978	14.5	25.6
1979	21.1	19.0
1980	29.6	23.1
1981	41.9	26.6
1982	29.2	26.6
1983	41.2	20.1
1984	54.5	43.1
1985	71.5	46.5
1986	89.0	109.1
1987	120.0	92.5

Note. From H. Lydall, 1989, *Yugoslavia in Crisis*, New York: Clarendon Press.

Lydall summarized the cause/effect relationship between the ideology of the government at that time and its devastating impact on the economy:

If a country's currency is made scarce, its citizens will strive to replenish their own supplies of that currency by more or better work, by more production, by more careful expenditure decisions, and by more sales, both at home and abroad. Unfortunately, most governments, especially 'socialist' governments, hate to adopt a tight monetary policy, because one of the great perquisites of government is the right to borrow from the central bank at low cost (or to print money) to spend on projects that

satisfy its aspirations or the desires of its supporters. This reluctance is even greater in a country like Yugoslavia, where the government party believes that it has both the right and the duty to direct the economy in detail according to its own economic and political preconceptions. (1989, pp. 54-55)

Table 5 demonstrates that personal income per worker was not proportionally balanced throughout the republics that comprised Yugoslavia (Lydall, 1989). Slovenia and Croatia were the most productive of the republics, yet they still had to share with the other republics, including places like Kosovo and Macedonia. Although these places were producing at a much lower rate, the centralized government in Belgrade, Serbia insisted that Slovenia and Croatia share their profits. Slovenia and Croatia were the first of the Republics to seek and gain independence, while Serbia (the national majority, yet average in production) fought to keep Yugoslavia together. The economy collapsed and led to such an attitude of militancy within the Republics that eventually the country fell into a severe Civil War.

Table 5

Regional Differences in Income

Republic	Nominal income	Real income
Slovenia	145	124
Croatia	108	102
Vojvodina	92	101
Bosnia and Herzegovina	87	96
Serbia	93	93
Montenegro	81	84
Kosovo	73	89
Macedonia	70	80
Yugoslavia (index)	100	100

Note. From H. Lydall, 1989, *Yugoslavia in Crisis*, New York: Clarendon Press.

The crucial changes in post-Tito Yugoslavia took place between 1987 and 1989. The International Monetary Fund (IMF) introduced an anti-inflationary packet in February of 1987 (Chossudovsky, 1997). The IMF now had the freedom to direct the Yugoslav economy. However, as Chossudovsky (1997) stated, the economic situation in socialist Yugoslavia was on the brink of collapse:

Its (the IMF's) tight money policy further crippled federal Yugoslavia's ability to finance its economic and social programs. State revenues that should have gone as transfer payments to the republics and provinces went instead to service Belgrade's debt with the Paris and London clubs. The republics were largely left to their own devices.

The Yugoslav economy was further crippled by new banking laws that literally shut down socially owned "Associated Banks" (Gauthier, 1999). Gauthier (1999) used this term to describe the banking system under the socialist regime. These laws were designed to rid the country and its economy of all socialist influence. Thus, within two years of these new banking laws, socially owned banks were replaced with private and independent banks. However, the unemployment figures kept steadily rising to 376,000 by the end of 1989, and another 100,000 by the next year, bringing the total of unemployed people to half a million. The majority of these came from Serbia and Montenegro (Bilandžić, 2001).

Djokić (2003) stated that the only remaining socially-owned enterprises that survived this tumultuous time were ones that did not pay its workers. More than half a million workers who were listed on company payrolls did not get regular paychecks during the latter part of 1990. An additional 600,000 Yugoslavs had already lost their jobs by the fall of 1990, and another 2,435 industrial enterprises were on the brink of bankruptcy (Baletić, 1990). Bilandžić (1999) summarized the economic devastation that Yugoslavia experienced:

From 1989 through September 1990, more than a thousand companies went into bankruptcy. By 1990, the annual rate of growth of GDP had collapsed to negative 7.5 percent. In 1991, GDP declined by a further 15 percent, while industrial output shrank by 21 percent.

The meat industry during this period also was severely impacted. Most companies experienced such financial hardships that they eventually collapsed once the Civil War began (Renko et al., 2000). The Gavrilović Company also experienced extreme difficulties. The prior decision to expand into multi-purpose shops proved to be a major mistake. During the Tito regime, the Gavrilović Company did not own its own distribution transport system. Rather, the company relied heavily on the government to fulfill this need (Čavlek and Roseg, 1990).

In 1982, the Gavrilović Company decided to try to become more self-reliant with regards to the distribution transport system. The company invested 14 million kuna (approximately 2.8 million US dollars today) and started its own distribution network under the name, "Gavrilović and Borongaj Transport d.d. za prijevoz robe i putnika" ("for the transport of goods and passengers") (Državni ured, 2003). Gavrilović had majority ownership of the company or 88% of shares, while the remaining 12% was controlled by Borongaj transport (Državni ured, 2003).

However, within a few years, the Gavrilović Company experienced severe losses in this segment of their business. By 1991, according to Čavić (1998), the distribution segment of the company had accumulated 18 million kuna in debt (approximately 5.4 million US dollars today). Thus, the company entered into the period of the Civil War much weaker compared to only a few years earlier.

Civil War

In late 1990, the Republic of Slovenia was the first to seek and gain independence from Yugoslavia (Brown, 2005). Slovenia's independence then inspired several of the

other republics, including Croatia, to try to gain theirs quickly as well. However, unlike Slovenia, Croatia met with intense opposition from the Serbs. A brutal war ensued, with a large portion of the fighting occurring in both Croatian and Bosnian areas (see Figure 20). Both economies were devastated, and ethnic tensions erupted among Croats, Serbs, and Muslims (Zibar, 2005). Facts are still being uncovered that reveal the unspeakable atrocities that were committed by all sides. Unfortunately, the impact of this five-year Civil War is still being felt up to the present day.



Figure 20. Serbian Plan of Attack in Croatia and Bosnia. From http://en.wikipedia.org/wiki/Croatian_War_of_Independence. Copyright 2011 by Wikipedia. Reprinted with permission.

In a 2009 interview, former captain Željko Jurin reflected on the economic exploitation that occurred during the war:

As a captain in the Croatian army, I was responsible for leading a unit of men with the goal of gaining independence for Croatia. Originally, when

the war started on Easter Day of 1990, it was called "Građanski Rat," which literally means Civil War. However, once Croatia started to be recognized as a country fighting for its independence, the war began to be called "Domovinski Rat," which means War for Independence. My unit fought in both Croatia and Bosnia, and I saw firsthand the economic devastation as a result of the war. A large majority of the factories from the days of Tito were destroyed. Any remaining equipment or valuable items were taken by soldiers and utilized for militaristic purposes.

I also saw many foreign entrepreneurs, many of whom were citizens of former Yugoslavia living in other countries, buy businesses and factories during the war. They came in with big money and big dreams; however their true intentions were soon discovered. They were war profiteers who only cared about exploiting the situation. They bought factories and businesses at bargain basement prices, yet they failed to run the businesses as true businesses. Instead, many used their businesses as a front to buy and sell arms for the war. They purchased weapons from the black market and sold them back to the government at much higher prices. They then took the profits and hid them in foreign banks. These "business people" became rich overnight, and they came out of the war as business tycoons. However, they left their companies in major debt. They exploited their people, they exploited their positions, and the effects of their war profiteering are still felt to this day. (Vuksic, 2009)

The beginning of 1991 was an especially difficult one for the Gavrilović Company. Ninety percent of trucks from their distribution network were stolen, forcing the Gavrilović Company to lease trucks from local private transporters. Private transportation businesses had no wholesale deals, so Gavrilović was forced to pay premium prices (Shultz, Crnjak-Karanović, & Renko, 2005). This caused the distribution segment of the company to collapse completely.

In 1991, the town of Petrinja was also bombarded by rebel Serbs, leaving the town 90% destroyed (Kuvačić, 2007). The main factory of Gavrilović was dismantled to the point that the company could only produce two of its lower-quality products for the next four years (Odorčić, 2009). Just prior to the Civil War, the company had a portfolio of 350 different meat products (Gavrilović, 2004). Additionally, the Civil War took workers away from the company as they were recruited to fight in the Croatian army. Other workers, who were not qualified for the army, simply escaped from Petrinja for fear of being killed by enemy Serb forces. Consequently, the Gavrilović Company found itself in the middle of a Civil War zone with a dismantled factory and devastated work force. Petrinja was one of the worst places to have a Croatian company during the war, and the Gavrilović Company was hanging on by a thread (Renko, Shultz, Pavičić, Bratko, & Pecotich, 2000).

In 1991, five out of the nine branches of Gavrilović holding went into insolvency (Šustić, 1997). To save the other remaining branches, the Gavrilović Company transferred headquarters to Zagreb, the capital of Croatia (Čavić, 1998). The remaining workers in Petrinja were let go. On November eleventh of 1991 (Državni ured, 2003), Đuro Gavrilović, through his lawyer, bought the five insolvent branches for 3.3 million

Deutsch Marks, (approximately 3 million U.S. dollars today). This bold move eventually turned out to be a brilliant one. According to the same government agency that supervised the deal, Državni ured (2003), the estimated company value at the time was equivalent to 400 million U.S. dollars today. However, unlike the other war profiteers, Gavrilović was not looking to exploit the situation. Rather, he was looking to rebuild his family business (Odorčić, 2009).

During the Civil War, Đuro Gavrilović maintained a close political alliance with the President of Croatia, Franjo Tuđman. This alliance also turned out to be a wise one, for it was through Tuđman that Đuro Gavrilović was able to keep the fledgling factory in Petrinja from being totally destroyed. Tuđman's clout provided protection and prevented the factory and property from being stolen (Šimatović, 2006).

Prior to the Civil War, the Gavrilović Company had a diversified board that included several Serbians. This board was a remnant of Tito's nationalization period (Paraga, 2005). When the board saw that the family lawyer began the process of buying back some of the company from insolvency, they discovered that the Gavrilović family was actually behind it. The board fought this decision, for they felt that the company was being stolen from under them (Udruga bivših djelatnika, 2005). Đuričić (2005) provided some reasons as to why the major lawsuit ensued: The board that opposed the buyback claimed that the Gavrilović family was paid 7.5 million dollars during the 1960s for ownership of the company. The board also claimed that Gavrilović was not the sole owner during Tito's nationalization regime. It claimed that there were eight other families who had an equal stake in the overall company. However, because many documents were either lost or stolen after the fall of Tito's regime, the board was unable

to produce substantial evidence to support its claims (Paraga, 2005). Gavrilović countered by saying that his family controlled 85% of the company prior to the Tito regime (Gavrilović, 2004). Therefore, according to Gavrilović, it was Tito and his nationalization program that stole the company from the family.

Đuro Gavrilović's relationships with President Tuđman, as well as his relationship with Austrian President Thomas Klastil and the German politician Doris Pack, allowed Gavrilović to prove that his buyout was legal (Odorčić, 2009). Finally, after 14 years of fighting at the local court level, the Human Rights Court in Strasbourg, France, approved the Gavrilović purchase as legal and valid. The Gavrilović family once again had the authority and freedom to operate the business.

The majority of the competition did not fare as well during the Civil War. Most of the meat companies were forced into a position of stagnancy. The area where Belje was located became occupied by Serb forces, and the area was so devastated that Belje could not resume business until three years after the Civil War ended (Belje, n.d.). Sljeme and PIK Vrbovec were located near the Zagreb County, and thus were able to keep business going, though on a very small scale.

Post-War to Present

In 1995, Croatia was able to enjoy its first year of peace since the beginning of the war. However, post-war economic recovery was slow. The war devastated the Croatian economy to the point that the estimated material cost of damages was 27 billion U.S. dollars (Jurčević, 1996). Incredibly, this number was actually higher than the country's

2000 GDP of 24.9 billion U.S. dollars (Zdunić, 1996). Political and social structures were also severely impacted by the war, creating an air of uncertainty and instability.

Fortunately, the European Union decided to contribute close to one billion U.S. dollars to help reconstruct Croatia (Kušić & Cvijanović, 2002). Additional financial aid came from three major sources: The World Bank, The European Bank for Reconstruction and Development, and the Hermes Consortium of Private Insurance Companies (Shultz, Burkink, Grbac, & Renko, 2005). Areas that were financed by these sources included the reconstruction of Croatia's infrastructure, support for Croatia's health sector, and improvements for Croatia's financial and agriculture sectors (Simić, Biočina, & Gaura, 2008). Additionally, the country started moving in the direction of privatization, transforming ownership of businesses from state-owned companies to privately owned companies (Jurčević, 1996).

The recovery of the Croatian food market also contributed to post-war recovery. Goldman (1974) stated,

The re-establishment of a more optimally functional food marketing system presents one of the most important needs of any transitional economy. A well functioning marketing system is not only vital for survival but also for employment and trade of early phases of transition.

Although the Croatian food market had approximately 5,000 companies registered for food production and processing by the end of 1995, many of these companies ended the fiscal year with losses (Danish Embassy, 2007). Because of the war, many food

companies experienced great difficulties in their effort to reestablish operations. Some of these difficulties included: old equipment, limited capital for new facilities, very little quality control, and limited production capacity due to the fact that many companies only had one product and/or seasonal products (Shultz, Burkink, Grbac, & Renko, 2005).

Fortunately, not all food companies experienced such severe hardships. For example, certain rural companies, with a unique product to offer and the ability to contribute to local employment and regional income, were able to secure tangible profits in 1995 (Renko, Shultz, Pavičić, Bratko, & Pecotich, 2000). One of these companies was the Gavrilović Company. The Gavrilović Company began its post-war recovery by returning back to where it all began, the town of Petrinja. In 1995, the company resumed production in the factory that they had repurchased in 1991. In the first year of production, despite a relatively low number of employees, Gavrilović ended up producing 1,500 tons of meat. Kovačić, Njavro, Gelo, and Van der Bend (2000) reported that the increase in production brought in a profit of 88.8 million kunas for the year (approximately 16 million U.S. dollars today).

In 1996, the second year of post-war production, the company was able to enlarge its meat portfolio by reintroducing its most renowned product: the Gavrilovička winter salami (Gavrilović, 2009). During the war, the company only had liver paté and meat breakfast (a product comparable to Spam) in its portfolio. However, because of its surprisingly quick recovery from the war, the company was able to reintroduce its highly popular Gavrilovička winter salami. This was a major move because it allowed the company to double its meat production from the previous year. Production went from 1,500 tons to 3,000 tons, resulting in the hiring of more employees and increased

company profits. Doko (2003) stated that profits almost doubled from the previous year, bringing a total net profit of 163.1 million kunas (approximately 35 million U.S. dollars today).

Đuro Gavrilović used a somewhat unorthodox strategy to propel the company back to elite status in the Croatian meat market. Shultz, Crnjak-Karanović, & Renko (2005) described this strategy as one that was consistent with the foundational core values of the company:

Despite disruption of production for many years, Gavrilović products returned to the Croatian market at prices higher than competitors' prices. This was a well-conceived strategic decision based on brand reputation and consumer affinity, consistent with centuries-long tradition of superior quality.

The Gavrilović Company viewed its high-end winter salami as something comparable, in both aura and status, to the French vintage cognac (Odorčić, 2009). Gavrilović winter salami was similar to cognac in that it was inexpensive to produce relative to the generic brands that copied it (Mesić & Cerjak, 2007). However, because of brand recognition and long-lasting heritage, the products were able to be sold at much higher prices. Šimatović (2006) stated that this strategy proved to be extremely successful, setting the company on a path whereby, by 2005, meat production would increase to 150,000 tons, the number of employees would increase to 2,200, and annual profits would reach 824 million kunas (approximately 165 million U.S. dollars today).

In 1997, the Croatian government provided an unexpected benefit to the Gavrilović Company. The government introduced the "Buy Croatian Campaign," ranking Gavrilović winter salami in the super brands category, which is the highest ranking category advertised in the campaign (Vranešević, 2007). Local government officials in Petrinja also provided unexpected benefits that helped Gavrilović in its post-war recovery. Officials reached out to local banks and companies, as well as to local farmers, and offered various incentives for re-establishing relationships with Gavrilović (Grad Petrinja, 1997). The largest farm that reestablished its business relationship with Gavrilović was the Stanci farm (Piškor, 2008). This farm was the largest supplier of meat to Gavrilović prior to the war. Državni ured (2003) showed that net profits increased to 242 million kunas (approximately 48 million U.S. dollars today). The increased profits that resulted from national and local governmental support allowed the company to invest in factory improvements and expansions, as well as improvements in their distribution networks (Petković, 2001).

During the first few years of post-war recovery, Gavrilović did not experience much competition in the meat industry (Shultz, Burkink, Grbac, & Renko, 2005). The Gavrilović brand name, as well as its reputation for high quality, allowed the company to enjoy solid relationships with various retail chains. When a representative from Gavrilović came to a retail store to offer meat products, retail store owners usually purchased Gavrilović meat products (Reardon, Vrabec, Karakas, & Fritsch, 2003).

However, the rise of large supermarket chains started to create competition (Reardon, Vrabec, Karakas, & Fritsch, 2003). In 1995, only 5% of retail stores in Croatia were supermarkets, with Konzum and Getro as the pioneers in the supermarket niche.

However, by the end of 2000, supermarkets had 22% market share, and by 2002 market share had increased to 51% (Reardon, Vrabec, Karakas, & Fritsch, 2003). The rise of large supermarket chains directly impacted the Gavrilović Company because the supermarkets dictated what could and could not be sold in their individual stores.

Foreign investors began to seize the opportunity to invest in various supermarkets throughout Croatia. Getro was financed by foreign investors who were able to import meat brands at discounted prices from European Union (EU) suppliers (Meyn, 2003). Croatia was not part of the European Union, and therefore could not compete with the prices of many EU suppliers. This negatively impacted many Croatian companies, including the Gavrilović Company. According to a Gavrilović interview (Petković, 2001), the Croatian government desperately wanted admission into the European Union, and they created a favorable environment for foreign European companies and investors. For example, the government lowered import taxes to the point that Gavrilović and other local meat companies had difficulty competing with those prices. This forced local Croatian supermarket chains like Konzum to buy Croatian meat companies such as PIK Vrbovec and Sljeme. The unfortunate side effect for Gavrilović was that Konzum and other supermarket chains suddenly created new and major competitive challenges (Ljubičić, 2004).

To deal with these new competitive challenges, many smaller retail shops started to form unions. The first union, founded in 2001, was comprised of 11 food store chains called "CBA International" (CBA, 2010). This union was comprised of 450 stores throughout Croatia. The second union, begun in 2003, was comprised of four different companies—Lura and Vindija from the milk industry, and Podravka and Gavrilović from

the meat industry. These four companies joined together and purchased a chain of bankrupt food retail stores called Diona (Vujisić-Sardelić, 2008). This move allowed Gavrilović to place its products freely in these new retail stores, as opposed to paying huge premiums to the other large supermarket chains for the right to place its products in their stores (Petković, 2001).

During the war, the entire waste water treatment facility of the Gavrilović Company was destroyed. This crippled the entire production factory, limiting the production of meat products to 30% of its pre-war capacity (Cleaner Production, 2000). The destruction of the facility was also very hard on the Gavrilović Company because the water accounted for approximately 53% of production costs (Cleaner Production, 2000). In 1998, the company joined a program called "A capacity building for cleaner production" (Gavrilović, 2009). The goal of the project was to improve water and energy efficiency for companies. This program was supported by the Croatian government, receiving direct financial support from the Croatian Ministry of Economy as well as from the state directorate for protection of nature and environment (Grad Petrinja, 2001). Another investor in this project was "Eco Links Challenge Grant," which invested 225,000 U.S. dollars (Ecolinks, 2001).

Once the project was completed, the Gavrilović Company was able to reduce water costs by 30%, resulting in a reduction of plant operating costs of 20% (Cleaner Production, 2000). Not only did water costs decrease, but good housekeeping measures implemented through the program led to less wear and tear on the water treatment equipment. As Table 6 shows, the annual savings as a result of the overall project was a little over 250,000 U.S. dollars.

Table 6

Savings from the New Water Treatment Facility

Reduced water consumption due to good housekeeping measures	\$170,000
Return of the condensate (enabled by installation of reverse-osmosis unit)	\$28,000
Recycling of water from cooling system (enabled by installation of reverse-osmosis unit)	\$11,000
Recycling of water from can sterilization (enabled by installation of reverse-osmosis unit)	\$17,500
Collecting and processing of rainwater 25,000 m ³ /year (enabled by installation of reverse-osmosis unit)	\$25,000
Total savings	\$251,500

Note. From *Cleaner Production: Reduction of Water Consumption and Waste*, 2000.

The Gavrilović Company continued to experience great growth, as evidenced by the fact that in 1999 Gavrilović was the 85th most profitable company in all of Croatia (Grad Petrinja, 2001). The company had total profits of 326.7 million kunas (approximately 65 million U.S. dollars today). Profits were 7% higher than the previous year, and the company produced 9,000 tons of meat products, a 26% increase from the previous year (Gavrilović, 2004). The company also opened a new slaughterhouse for beef, allowing it to increase the number of employees by 10% from the previous year. The Gavrilović Company was starting to assemble a qualified staff that would eventually help propel the company to even greater growth (Bačelić, 2009). The increased profits also allowed the company to expand its meat portfolio to 30 new products and to improve product packaging to pre-war quality (Shultz, Crnjak-Karanović, & Renko, 2005).

In 2000, profits increased by an additional 5% from the previous year, lifting the company to 19th place for the most profitable Croatian companies (Odorčić, 2009). One reason for this increase was that the company placed heavy emphasis on quality control. They implemented the Hazard Analysis Critical Control Point (HACCP):

This was a system created in the United States and it provided systematic guidelines to the management of food safety. The goal of the HACCP standard is to eliminate incidents of food poisoning, illness, consumption of unsafe food or drinks, or the encounter of unwanted substances. (Bone & France, 2003)

This standard of quality control was the basis of European Union quality control, thus allowing the Gavrilović Company to reestablish their export markets in various EU countries.

The Gavrilović Company was invited to the fourth international conference of Water Supply and Water Quality in Krakow, Poland, where the company presented its model for reducing water consumption and costs. The Gavrilović model allowed the company to gain popularity and trust in other countries (Cleaner Production, 2000). This emphasis on quality control permitted Gavrilović to benefit domestically in Croatia as well. The Croatian government granted Gavrilović the special status of "Original Croatian Brand" ("Izorno Hrvatsko") for its products (Hrvatska Gospodarska komora, 2010). This recognition was given to the winter salami and kulen, while the Croatian quality award was given to the liver paté and meat breakfast products. Gavrilović is currently the only company in Croatia that has four different products in those two

quality categories. This type of special recognition for quality control allowed the company to enjoy continued popularity and trust among Croatian consumers. The Gavrilović time-honored emphasis on tradition and quality allowed the company to grow at an amazing rate (Državni ured, 2003).

In 2001, Gavrilović purchased Dalma, a food retail chain located on the Dalmatian coast of Croatia. Vujisić-Sardelić (2008) stated that Gavrilović paid 1.8 million euros for 15 Dalma retail chain stores along the coast (approximately 3 million U.S. dollars today). In 2007, those stores changed their name from Dalma to Diona (Diona, 2010).

Državni ured (2003) stated that the Dalma purchase was an important step that allowed Gavrilović to become a presence on the popular Croatian coast, resulting in an increase of profits to 420 mil kunas (approximately 84 million U.S. dollars today). Table 7 shows the steady increase, in both profits and employees, that the Gavrilović Company enjoyed during the first seven years after the war, a period from 1995 to 2001.

Table 7

Seven-Year Increase of Annual Profits and Employees

	1995	1996	1997	1998	1999	2000	2001
Profit (in millions)	18	32.5	48.5	61	65	75.5	84
Employees (in thousands)	365	513	620	581	697	710	623

In 2002, the Gavrilović Company secured a deal to export their food products to the region of Serbia and Montenegro (Petković, 2002). Because these two regions of former Yugoslavia had been at war against Croatia, they were considered off limits to Croatian companies for many years. However, as the years passed from the end of the war, former opponents began to be open to the possibilities of business alliances. The Gavrilović Company secured an export deal with Serbia and Montenegro that allowed the company to enter a new market that had been closed since the war. Gavrilović was able to secure this deal because for the first time since the war, the Croatian and Serbian governments established a free trade agreement (Petković, 2002). This allowed the countries to trade once again with each other as they had done when they were all part of Yugoslavia.

Because these regions were so close to Croatia, the company was able to conserve considerable money on import costs, transport costs, and other tax rates, a savings compared to its business expenses with other European countries that were not as close (Petković, 2002). Figure 21 shows the location of both Serbia and Montenegro in relation to Croatia.

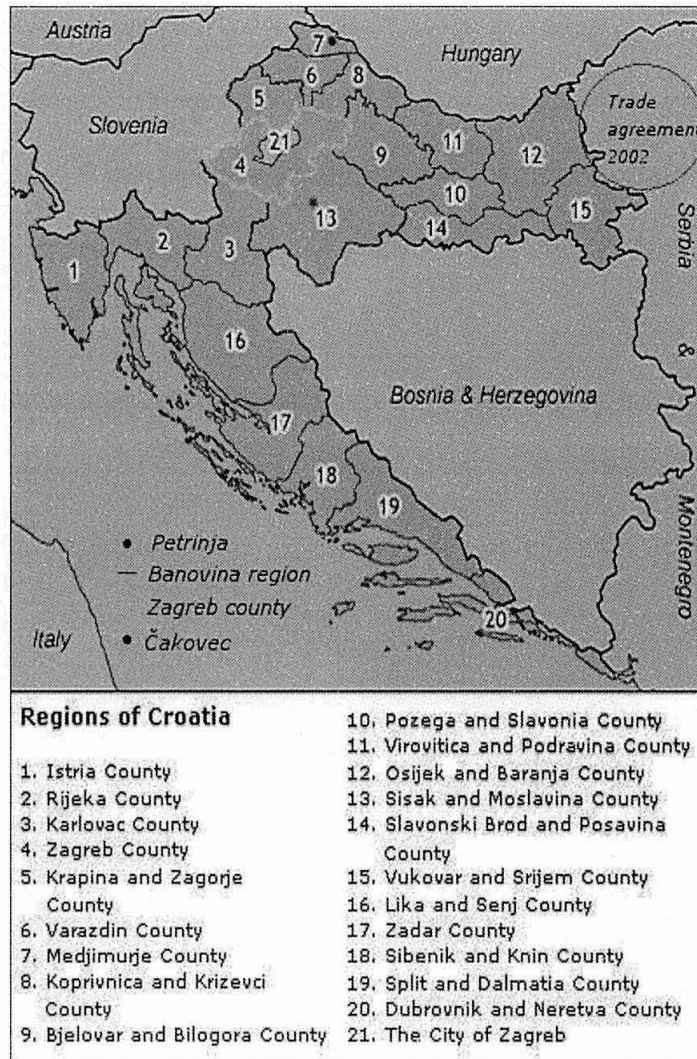


Figure 21. Serbia and Montenegro. From <http://www.map-of-croatia.co.uk>. Copyright 2005 by Rob Hilken. Reprinted with permission.

In 2003, the Gavrilović Company decided to enter the health food market and introduced a new product line called "Gavit" (Gavrilović, 2004). The product line consisted of a dozen different salami and paté health products that were based on herbal ingredients, without any meat- or animal-based ingredients. The goal of this new line was to reach vegetarians and vegans. However, this experiment lasted only two years, failing to attract much interest with Croatian consumers who continued to associate Gavrilović with high-quality meat products. The existing consumer base was not looking

for health-conscious and vegetable-based substitutes, and the market for meat supplements is dominated by firmly entrenched products such as soy-based foods (Belk, 2007).

It was also in 2003 that the French retail chain "Leclerc" attempted to buy Gavrilović. Leclerc was a large supermarket chain in France, similar to Konzum in Croatia and Walmart in the United States (Godeč, 2003). Leclerc wanted to capitalize on the quality of Gavrilović products, enter the Croatian meat market, and compete against other large retail chains such as Konzum and Getro (Godeč, 2003). Leclerc also wanted to remove the Gavrilović brand name, replace it with the Leclerc name, and have exclusive sales rights on all Gavrilović products (Godeč, 2003). Gavrilović rejected this first of several attempted buy-outs from various retail chains, making the decision that the company would remain autonomous and focus on leading the meat market in the same way as it had for hundreds of years (Godeč, 2003).

In 2004, the Gavrilović Company was able to export to Bosnia and Hercegovina through a distributor called "Mepas" (Vignjević, 2009). Once again this was a very important deal that opened up another new market that had been closed during the war. Like Serbia and Montenegro, Bosnia Hercegovina was once part of former Yugoslavia, and was a major war zone during the civil war. After the war, the region was so decimated that it took years to rebuild the shattered economy and the shattered trust with Croatia. Fortunately, both the economy and trust were slowly rebuilt, allowing Gavrilović to establish a new market that was only hours away by car. Figure 22 shows the location of Bosnia Herzegovina and its close proximity to Croatia.

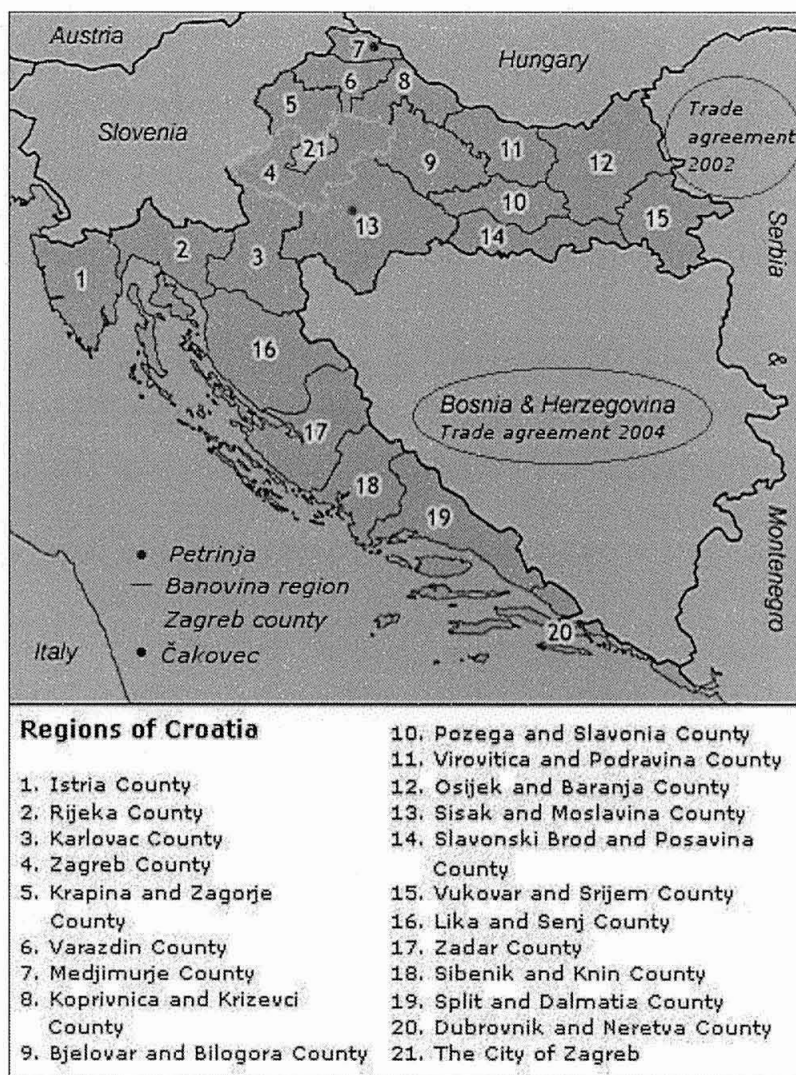


Figure 22. Export to Bosnia and Herzegovina. From <http://www.map-of-croatia.co.uk>. Copyright 2005 by Rob Hilken. Reprinted with permission.

It was in late 2004 that competition from major supermarket chains began to increase even more. As stated earlier, by the end of 2000, supermarkets had 22% of the market share of meat products sold in Croatia. However, by 2002, market share increased to 51%. By 2004, the Agrokor Group was threatening to drive those percentages up even higher (Brnić, 2010).

Agrokor is the largest private company in Croatia, and currently employs more than 31,000 people (Agrokor, 2010). The core business of Agrokor is food and drink, and its holdings include the largest grocery store chain in Croatia, Konzum. Konzum provides a selling platform for Agrokor's many consumer brands (Andersen, 2010). Agrokor holdings also include Ledo, the biggest ice cream producer in Croatia; Pik Vrbovec, one of the largest meat companies in Croatia; Jamnica, the largest water bottling company in Croatia; Zvijezda, the largest producer of edible oils in Croatia; and Solana Pag, the largest salt supplier in Croatia. It also has extended branches of its various businesses in Bosnia and Hungary (Food Navigator, 2004).

Agrokor had business negotiations with the Gavrilović Company in 2004 (Business.hr, 2006). Its goal was to have exclusive rights to Gavrilović products in all the Agrokor retails chains, including the largest supermarket chain, Konzum (Business.hr, 2006). Negotiations fell through as Agrokor failed to provide sufficient guarantees for payment of Gavrilović products that were sold in Agrokor retail chains (Business.hr, 2006).

The failed negotiations did not stop Agrokor from pursuing alliances with other meat companies in Croatia. By the end of 2004, PIK Vrbovec was bought out by the Agrokor Corporation. PIK is currently ranked in the top four, in both size and production capacity, in the meat industry in all of Europe (Petković, 2009a). Prior to the Agrokor takeover, production capacity at PIK was 8,500 tons, and its profit was 220 million kuna (approximately 44 million U.S. dollars today). However, in the three years since the takeover, Petković (2009a) stated that they were able to increase production capacity to

55,000 tons (100,000 tons by 2009), and profits were 1.5 billion kuna (approximately 300 million U.S. dollars today).

In late 2004, Belje was also bought out by Agrokor (Belje, 2009). Agrokor reintroduced Belje salami and sausages, which led to a 93% increase in revenues for 2005 of 154 million U.S. dollars, and a 145% increase in net profits to 28 million U.S. dollars (Danish Embassy, 2007). By 2009, Belje revenues increased to 260 million U.S. dollars, while profits increased to 48 million U.S. dollars (Belje, 2009).

While Agrokor was securing several major alliances in the meat market, the Gavrilović Company was successfully making some new alliances as well. In 2005, the Gavrilović Company secured a deal with an American distributor called "AB Company." This was a very important alliance because it was the first time that the Gavrilović Company was able to re-enter the United States in 15 years (Babić, 2006). Because of its high-quality products, the Gavrilović Company received approval from the meat inspection section of the U.S. Department of Agriculture, which awarded the company the highest grade of health quality approval (Babić, 2006). This opened major doors in the United States, allowing the company to export 70 tons of meat products for the year and to enjoy profits of 824 million kunas, which is approximately 165 million U.S. dollars today (Bičak, 2005).

In 2005, the market for meat became more competitive, causing the Gavrilović Company to experience slowed growth (Dokonal, 2009). Nevertheless, it was during 2005 that the Gavrilović Company became the only meat company, and one of two companies in all of Croatia, to have an agreement with the NATO Maintenance and

Supply Agency. The other company was Jamnica, the largest manufacturer and distributor of bottled water in South-East Europe (Agrokor, 2010).

The NATO Maintenance and Supply Agency is a special agency that does business with only NATO-certified companies. Without the approval of this agency, no company can do business with other NATO-contracted companies (Vejnović, 2007). This agreement opened the door for the Gavrilović Company to do business with other certified NATO companies, allowing them access to the markets within the European Union, without having to deal with the various import and export restrictions imposed by the EU (Vejnović, 2007). The NATO agreement actually came in 2005, four years before the country of Croatia was invited to be a member of NATO, a testimony to the high-quality meat and high-impact brand name recognition that the Gavrilović Company enjoyed (Gavrilović, 2009).

In 2006, the company was invited to the Salon International de l'agriculture (SIA) in Paris (Piškor, 2006a). On the opening day of the SIA fair, French President Jacques Chirac went to the booth where Gavrilović products were being displayed and tasted the famous "Gavrilovička" winter salami. The fair ended up being a huge success for Gavrilović as France started to import Gavrilović meat products the following year (Gavrilović, 2009).

It was also in 2006 that the company was invited to the United States to participate in one of the leading food fairs in America: "The Fancy Food Show." This fair allows companies from all over the world to display their products to various American supermarkets. Those products that are well-received are then stocked by various distributors that supply the supermarkets. The Gavrilović products met with such

high approval that the company was able to secure a distribution deal with a national distributor from New Jersey, Fast-pak Trading, Inc. (Babić, 2006).

In 2006, Canadian Ambassador Stephanie Beck visited the Gavrilović Company and met with the board of directors to discuss plans to redevelop and modernize the Croatian Meat Industry (Morić, 2007a). The Ambassador recognized that the Gavrilović Company was a long-time leader in the meat industry, and this meeting led to an alliance with Canada that opened a new export market for Gavrilović (Morić, 2007a).

The Gavrilović Company produced a very successful television commercial in 2006 that was selected as one of the seven finalists (for the food industry) out of 18,000 overall commercials at the 21st London International Awards (Piškor, 2006b). These 18,000 commercials were designated in specific categories based upon the industries involved. The highly popular commercial was a parody of the James Bond movies ("I am Bond, James Bond), with Đuro Gavrilović saying the line "Ja sam Gavrilović, Đuro Gavrilović" ("I am Gavrilović, Đuro Gavrilović"). The competition in the food industry was so intense, that all seven finalists including the Gavrilović Company shared in the first place award (Piškor, 2006b).

FINA (2010) stated that the year 2006 saw an increase of profits from 854 million kuna in 2005 (or approximately 171 million U.S. dollars today), to 914 million kuna in 2006 (approximately 182 million U.S. dollars today). A large reason for this increase was because of the purchase of the Istracommerce retail chain (FINA, 2010). Located in the Istra region of Croatia (see Figure 23), the Istracommerce retail chain was a multi-purpose retail chain with 300 employees and profits in 2006 of 206 million kuna (approximately 20 million U.S. dollars today).

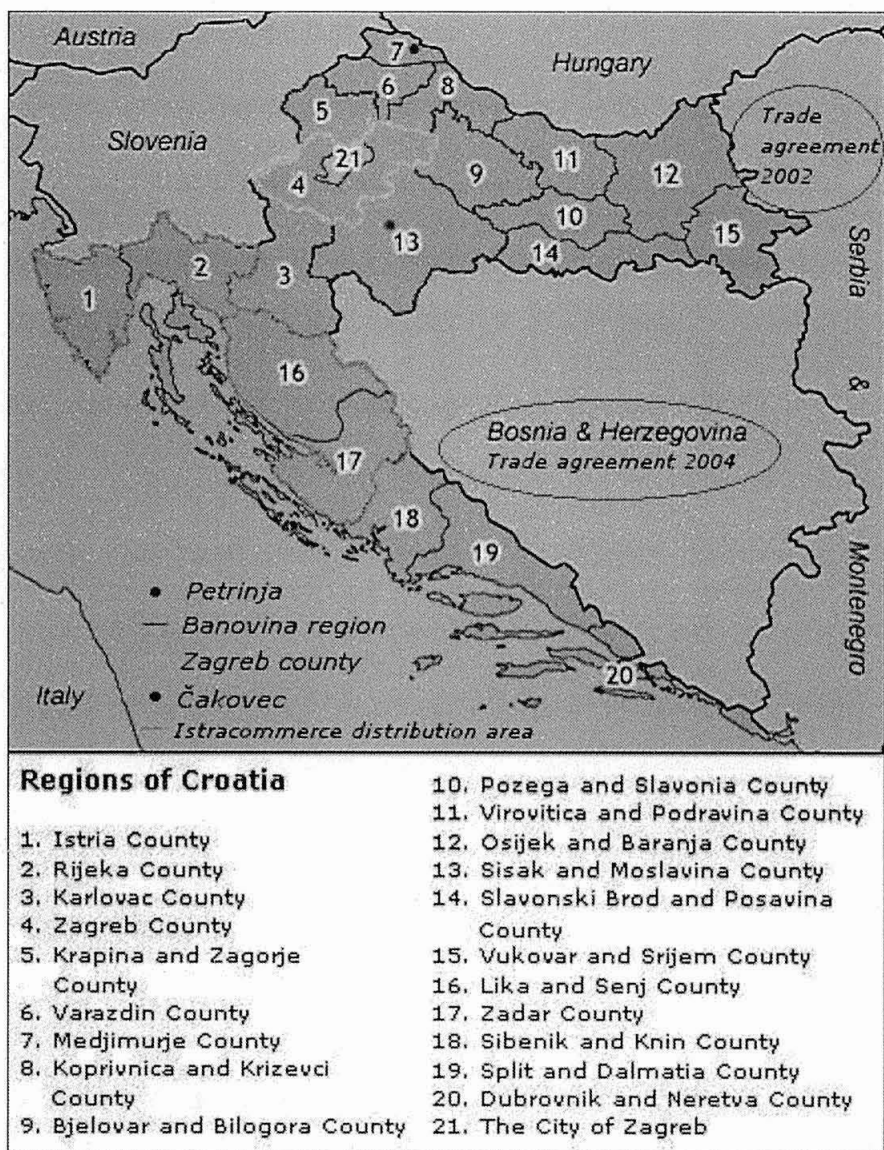


Figure 23. Istra-commerce Distribution Region. From <http://www.map-of-croatia.co.uk>. Copyright 2005 by Rob Hilken. Reprinted with permission.

Initially, the Gavrilović Company bought 50% of the Istra-commerce shares as a way to gain market presence in the Istra region. However, over the following two years as Istra profits increased, the Gavrilović Company raised their investment in

Istracommerce to 90%, making it the largest shareholder and majority owner. The remaining 10% is primarily held by Vindija, the largest milk processing company in Croatia (Vujisić-Sardelić, 2008).

The Istracommerce purchase was the third and most successful of the retail store purchases made by the Gavrilović Company since the emergence of the large supermarket chains in 2001 (Bačelić, 2009). The other two retail store purchases were Merkur and Dalma, both of which produced zero profits until 2008 (Brnić, 2010). In 2007, the Gavrilović Company purchased the retail chains of both Diona and Merkur (Gavrilović, 2010a). Diona was ranked second only to Konzum as the largest retail chain in Croatia (Tašler, 2006). In 2008, the Diona chain had a profit of 875 million kuna (18 million U.S. dollars today). Currently, Diona is considered the most profitable retail chain under the Gavrilović name (FINA, 2010).

Merkur is situated on the island of Rab (see Figure 28). Piškor (2008) stated that in 2008 the Merkur chain had a profit of 102 million kuna (20 million U.S. dollars today). Although Merkur is currently the least profitable retail chain under the Gavrilović name, it is still considered a valuable branch because it has the major retail chain on the island of Rab (Piškor, 2008).

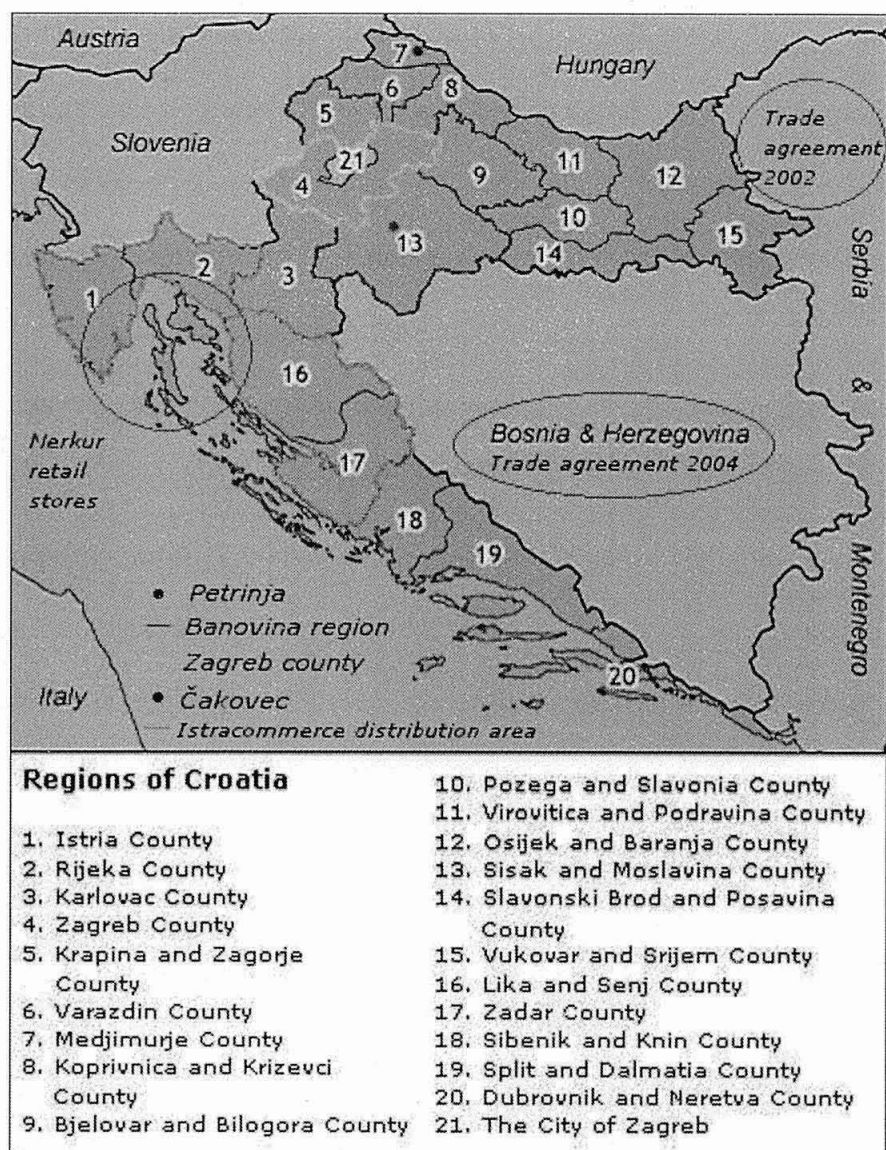


Figure 24. Merkur Retail Stores. From <http://www.map-of-croatia.co.uk>. Copyright 2005 by Rob Hilken. Reprinted with permission.

These latest purchases allowed the Gavrilović Company to reach every corner of Croatia: the Merkur and Dalma purchases reached the Dalmatian coastline, while the Istracommerce purchase covered the Istra region. After the successful Istracommerce purchase, the Gavrilović Company announced plans to form a larger group of retail chains as a way to compete against the top supermarket chain in Croatia, Konzum, which controlled 30% of the retail chain market (Brnić, 2010).

In 2007, the Gavrilović board decided to buy a hotel called "Ros Maris" (Piškor, 2008). This hotel, also located on the island of Rab, cost 5.8 million euros (approximately eight million U.S. dollars today). This purchase was the first step in Đuro's plan to expand the company into tourism, which is one of the largest and most productive industries in all of Croatia (Hrvatski turistički cluster, 2003). It was also in 2007 that the company opened vineyards in Petrinja and started producing Gavrilović wine (Kolarec, 2008). The wine was named "Petrus" (see Figure 25), and was considered such high quality that in 2008 it was recognized as the one of top tier wines in all of Croatia (Kolarec, 2008).

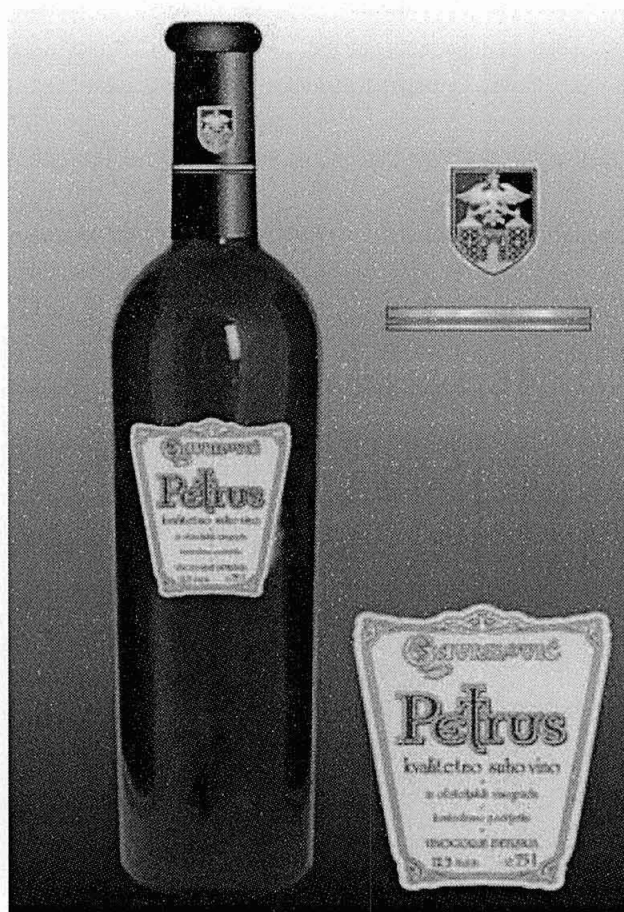


Figure 25. Gavrilović Wine, Petrus. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2011 by Gavrilović Company. Reprinted with permission.

Additionally, the company expanded into the construction business, renovating the Petrinja airport which was originally built by Gavrilović in the beginning of the twentieth century (Piškor, 2008). The Gavrilović Company was also the main sponsor of the "Petrinja Fair of Cooking and Gastronomy" (Bičak, 2007), and it worked together with the Petrinja tourist agency to help the city secure the name "Prvi hrvatski grad salame," which means "The First Croatian Town of Salami" (Piškor, 2008). In an article by Piškor (2008), Đuro Gavrilović stated:

Naše je ime neraskidivo vezano uz Petrinju, te želimo da Petrinja s nama postane svjetski poznat turistički brand, jer je prosperitet Petrinje neodvojiv od prosperiteta Gavrilovića. [Our name is forever tied to the town of Petrinja. Our goal is for Petrinja to have the same brand name and recognition as Gavrilović because the prosperity of Petrinja is tied to the prosperity of Gavrilović.]

In June of 2007 the company started cultivating hydroponic tomatoes under the new brand name, "Gapo" (see Figure 26). *Gapo* is an acronym for Gavrilović Povrće, which means "Gavrilović vegetables" (Simić, Biočina, & Gaura, 2008).



Figure 26. Gapo Tomatoes. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2011 by Gavrilović Company. Reprinted with permission.

Rather than paying high prices to other tomato producers, the Gavrilović Company decided to mass produce tomatoes for its retail shops, providing both meat and vegetables for the shops (Morić, 2007b). In the first year (Babić, 2009a), the company planted 30,000 tomato seedlings and was able to pick 3.5 tons of tomatoes per day, resulting in profits of 60 million kuna (approximately 12 million U.S. dollars today). This new enterprise was also ecologically efficient because the tomatoes floated on water, preventing insect and vermin attacks (Morić, 2007b). Additionally, the energy needed for heating the tomato fields in the winter was provided by leftover energy from the meat factories. Thus, the company was able to save approximately 500,000 U.S. dollars and maximize energy utilization (Gavrilović, 2009).

In 2008, the Gavrilović Company was able to secure a 2.5 million kuna investment (approximately 500,000 U.S. dollars today) from the European Union Stimulus Fund to expand its tomato plant business (Simić, Biočina, & Gaura, 2008). This investment paid for 50% of the entire cost of the tomato business (Morić, 2007b). Fina (2010) stated that this allowed the company to pick an additional 400 tons per year, and increased profits by 50%, or an additional 30 million kuna (approximately 6 million U.S. dollars today).

It was also in 2008 that the Gavrilović Company secured a partnership with Microsoft to build a technological infrastructure for both the tomato and meat business (Microsoft, 2009). Towards the end of 2008, the Gavrilović Company bought Puris, a bankrupt company that had produced turkey meat products (Kuskunović, 2008). Gavrilović was able to outbid another large food company, Podravka, by agreeing to pay 120 million kuna (which is approximately 24 million U.S. dollars today). The company

paid an additional 11 million kuna (approximately 2.2 million U.S. dollars today) to complete the buy out of the company (Gregorović, 2009).

The Gavrilović Company was now able to expand its market by adding turkey products to its overall meat portfolio. Gavrilović entered this agreement because of information in a 2007 study that revealed that the annual consumption of pork in Croatia was 18.1 kilos per person, while the annual consumption of poultry meat Croatia was 19.6 kilos per person (Mesić & Cerjak, 2007).

The turkey products were not only marketed under the Gavriović name (to reach the loyal Gavrilović consumers), but the Puris name as well (to reach the loyal Puris consumers). Gregorović (2010) stated that the merger allowed Puris to make 328 million kuna (approximately 18 million U.S. dollars). FINA (2010) stated that Gavrilović was able to make 528 million kuna through meat sales (approximately 105 million U.S. dollars), resulting in overall profits for the company of 1.8 billion kunas (360 million U.S. dollars).

Towards the end of 2008, the Gavrilović Company and other smaller retail chains willingly formed a conglomerate of 16 retail chains and food production companies called "Nacionalni Trgovački Lanac" (NTL) or "National Merchant Chain" (Kuskunović, 2008).

The NTL was formed in response to the rapid expansion of the Konzum supermarket chain (Petković, 2008b). This combination of 16 companies, totaling 1500 retail stores throughout Croatia, joined together to cut costs in distribution networks, marketing, packaging, as well as the process of bringing products from the factory to retail stores (Petković, 2008a).

Babić (2009b) stated that one of the most influential members of the NTL is a wealthy businessman from Split, Croatia, named Željko Kerum. Kerum is currently the mayor of Split, and he also owns a large chain of Kerum retail stores on the Dalmatian Coast.

Željko Kerum's membership in the NTL has greatly benefited the Gavrilović Company because retail doors have been opened for Gavrilović products to be easily sold along the Dalmatian Coast. By joining the NTL, the Gavrilović Company was able to cover 17% of the retail market in Croatia, making them the second largest player in the retail market, behind only Konzum, which has 30% (Evačić, 2009). Družijanić (2009) stated that the projected annual income of the NTL conglomerate is 10 billion kuna (2 billion U.S. dollars today).

In 2008, the Gavrilović Company signed an agreement to become one of the major sponsors of Croatian soccer (Morić, 2008). Đuro Gavrilović used this as an opportunity to launch a new add campaign which showed that the two strongest Croatian brands, Gavrilović meat and Croatian soccer, were now joined together on the same team (see Figure 27).



Figure 27. Gavrilović Sponsoring the National Soccer Team. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2008 by Gavrilović Company. Reprinted with permission.

In the winter of 2008, the Gavrilović Company implemented the renowned food safety protocol called The International Organization for Standardization (ISO) 22,000 (Meso, 2008). The ISO 22,000 is currently considered the most modern and the best certificate of food safety. (Gavrilović, 2009). The Gavrilović Company is the first meat company in Croatia, as well as one of the first in all of Europe, to implement the ISO 22,000 (Odorčić, 2009). The ISO 22,000 certificate has superseded the HACCP (Hazard Analysis and Critical Control Points) as the main standard for European meat trade regulation and protocol (Patron, 2009).

In May 2009, *Readers Digest* conducted a study to see if Croatian consumers were more appreciative of imported products than domestic products (Cole, 2009). The study revealed that Croatian consumers valued domestic food brands more, such as Gavrilović products, as compared to imported food brands (Petković, 2009b). In fact, the food market was the only industry in Croatia where domestic products were preferred to foreign products. The study also recognized the Gavrilović Company as one of the six

top companies in the entire Croatian food industry (Gavrilović, 2009). This study is considered one of the largest European studies of consumer research, and it has been conducted in 18 different European countries since 2001 (Župan, 2008).

In spite of ever-increasing competition from supermarket chains, the Gavrilović Company enjoyed increasing profits from 2005 to 2009. A major reason was the aquisition of several retail chains that were previously discussed. Table 8 shows the steady increase of profits during this time period.

Table 8

Annual Profits from 2005 to 2009 (Current Rate of US Dollars)

	2005	2006	2007	2008	2009
Profit (in millions)	165	183	370	413	478

Note. Current rate of U.S. dollars.

In March of 2010, Chairman of the Board Đuro Gavrilović and his partner Robert Kujundžić, the former head of the McDonald's food chain in Croatia, bought 16 McDonald's restaurants and the license to open up new McDonald's restaurants throughout Croatia. The McDonald's deal also included a license to export hamburgers to U.S. McDonald's (Dugandžija, 2010).

Ivezić (2010) stated that the approximate value of the purchase was 84 million kuna (17 million U.S. dollars). In 2008, the McDonald's Company in Croatia served an average of 20,000 customers per day (Ivezić, 2010), and had a profit of 192 million kuna

(38.5 million U.S. dollars today). In 2010, the Gavrilović Company planned on building two new McDonald's restaurants in Croatia (Kuskunović, 2010b).

The deal with McDonald's is very important because it not only allows the Gavrilović Company to enter a very popular and profitable market, but it also allows it to make a significant impact on one of its top competitors, PIK Vrbovec. Prior to the Gavrilović Company deal, PIK was the exclusive Croatian supplier of meat for all McDonald's restaurants in Croatia (Jozić, 2010).

Agrokor, the parent company of PIK, released an official statement saying that it will no longer do business with McDonald's (Grdić, 2010). Since 2006, Agrokor had slowly been decreasing business dealings with McDonald's as an Austrian meat Supplier (ESC) started supplying meat to the restaurants (Dugandžija, 2010).

The Present and Future Prospects

Some experts claim that the Gavrilović Company has lost its focus and is making more money on interests other than meat (Bačelić, 2009). Consequently, they feel that the Gavrilović Company is losing ground to companies like PIK Vrbovec, Belje, and Konzum, all of which are owned by Agrokor.

Kuskunović (2010a) stated that the Croatian meat market was worth 6 billion kuna in 2009 (2 billion U.S. dollars today). The leader at this time was PIK Vrbovec (Kuskunović, 2010a), accounting for 1 billion kuna of the 6 billion kuna total (approximately 200 million U.S. dollars). The pork meat production leaders were: (1) PIK; (2) Vajda; and (3) Danica. They accounted for 36 percent of meat sales in the Croatian meat market. The salami market leaders were: (1) PIK; (2) Koka; (3) Gavrilović; and (4) Puris. The paté market leaders were: (1) Gavrilović; (2) PIK;

(3) Podravka; and (4) Koka. The sausage market leaders were: (1) Gavrilović; and (2) Koka, tied with PIK (Kuskunović, 2010a).

Competition in the Croatian meat market is increasing at a rapid rate. Danica is a Croatian company and one of the leading food producers in central and eastern Europe, with a license to export meat products to countries in the European Union and the United States (Danish Embassy, 2007). Perutnina Ptuj is a large meat producer in Croatia with a product portfolio of chicken meat, chicken sausages, and chicken salami (Danish Embassy, 2007). Koka is considered one of the top three food industries in all of Croatia. It currently enjoys an 80% market share of the poultry meat in Croatia, and 85% of its production is exported to markets in the United Kingdom, Austria, Sweden, and Slovenia (Danish Embassy, 2007). The Ravlić Company, though it does not produce meat, has the largest and most modern slaughterhouse in Croatia. Several large meat companies in Croatia—such as Gavrilović, Belje, PIK Vrbovec, and Pivac—use their slaughter services and facilities. Currently, Ravlić is planning to introduce its own meat brand to the market, making it a potential competitor (Birtić, 2010).

Although the Gavrilović brand and name recognition is still very high, it is interesting to note that only one third of company profits come directly from the meat sector (FINA, 2010). The Gavrilović retail business—which includes Diona, Dalma, Istracommerce, and Merkur—currently produces the majority of the profits (Bačelić, 2009). The good news is that the inclusion of the Gavrilović Company in the Nacionalni Trgovački Lanac (NTL) is allowing them to gain favorable market share in the Croatian retail sector. The NTL currently hold 18 % of the market share, while Konzum holds

approximatley 30%. The original goal of the Gavrilović Company was to be at 16% after the first year of inclusion in the NTL (Kuskunović, 2008).

It is unclear if the Gavrilović Company will benefit long-term by having a majority of its profits from its retail sector. By focusing its attention on the retail sector, the company has demonstrated an awareness and ability to respond successfully to the Agrokor threat. That seems wise for the short-term. However, will this shift in focus eventually cause the Gavrilović Company to lose its identity?

Đuro Gavrilović is soon set to retire and his son Đuro, Jr. (see Figure 34) will lead the company (Bačelić, 2009). The concern is that Đuro Gavrilović, Jr. is only 31 years old and may lead the company in a different direction (Bačelić, 2009). Also, his lack of experience, as well as his lack of recognition compared to his father, may lead consumers to disassociate the current company with the one that was known and appreciated for its tradition and high-quality meat (Kuskunović, 2010a).



Figure 28. Đuro Gavrilović, Sr. and Đuro Gavrilović, Jr. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2009 by Gavrilović Company. Reprinted with permission.

An additional concern is that company exports are not increasing. Since the Tito era, exports have decreased from 30% to 15% (Kuskunović, 2010a). The current financial world crisis has impacted exports as well. The Gavrilović Company is not taking advantage of its excellent brand name and tradition as it once did.

In the spring of 2010, Gavrilović became one of the main sponsors of the most successful hockey teams in Croatia, Medveščak (Bears) Zagreb (Gavrilović, 2010b). Gavrilović issued a limited edition three pack paté mix to celebrate the new partnership. Along with their two best selling patés, liver paté and tea paté, Gavrilović created a new paté mix, called meat paté (Fran, 2010c). The new meat paté is considered their most premium paté, with the highest meat content of any paté currently produced (Fran, 2010c). The product package is labeled with the hockey team bear mascot, rather than the Jelica mascot that is usually used on Gavrilović products. (see Figure 29)



Figure 29. Limited Edition Meat Paté. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2009 by Gavrilović Company. Reprinted with permission.

Gavrilović also produced a limited edition winter salami which included the bear logo on it. This limited edition winter salami was renamed "winter classic" in recognition of the hockey partnership (see Figure 30).



Figure 30. Limited Edition Winter Classic Salami. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2010 by Gavrilović Company. Reprinted with permission.

It is interesting to note that the harsh winter of 1894 planted the roots for this future partnership between the Medveščak hockey team and Gavrilović. It was in 1894 that the Gavrilović Company was awarded the gold medal for quality in Vienna. One of the major reasons was the harsh winter of 1894, a winter that contributed to the production and sales of winter salami. The same harsh winter of 1894 also contributed to the founding of the Medveščak hockey team, a winter that provided the necessary icy conditions for the first hockey team in Croatia. Đuro Gavrilović, Sr. commented on this coincidence, saying, "Our past connects us, so we are here together now to create a joint future as well" (Gavrilović, 2010b).

In their publication on consumer culture theory, Arnould & Thompson (2004) asserted that co-branding can attract customer awareness. It is of no coincidence then that Gavrilović also stated that co-branding the two Croatian businesses is very valuable for their marketing efforts (Bičak, 2010). He cited the results of the Koprivnica brewery, whose market share rose by 2% in only six months after striking a co-branding deal with the Zagreb Medveščak hockey team (Bičak, 2010).

In May 2010, the Gavrilović Company and Agrokor Group met with the board of Jadrankomerc with a desire to buy out the company. This is the first time both companies have entered into a joint venture (Ficko, 2010). Jadrankomerc has 36 retail chain stores along the Dalmatian coast (Ficko, 2010), with profits for 2009 of 120 million kuna (24 million U.S. dollars). Prior to the bid, both companies each owned 15% shares in the company. The result of the proposed buyout is that the Gavrilović Company owns

40% of Jadrankomerc, while Agrokor owns 60% (Krajnović-Zeljak, 2010). It is still too early to tell if the buyout will benefit both companies.

During the summer of 2010, the Gavrilović Company received approval from the Muslim World Halal Council to be able to export meat products to various Islamic countries in the Middle East (Fran, 2010a). Gavrilović is now one of 20 companies in Croatia that have received the Halal Certificate, which permits foreign companies to do business with Islamic nations (Fran, 2010a). The World Halal Council controls all trade in Islamic countries, and this certificate allows the Gavrilović Company to re-enter the Arab and Islamic markets for the first time since World War I (Fran, 2010a).

Also, during the summer of 2010 the Gavrilović Company made efforts to recapture its name recognition and brand reputation. The company is investing heavily in advertising throughout Croatia, emphasizing its long-lasting tradition and heritage. New billboards show the company model, Jelica, along with the year 1690. This is a change from previous billboards, which showed the year 1792. The year 1690 is considered to be the beginning of the company, while the year 1792 is considered to be the year when the company's first industrial factory was opened. Thus, by emphasizing the year 1690 rather than 1792, the company is reminding consumers of its long-lasting tradition and heritage. (See Figures 31 and 32).



Figure 31. Latest Gavrilović Promotional Advertisements: 320 Years of Passion for Meat. Copyright Andrew Vuksic, 2011.



Figure 32. Latest Gavrilović Promotional Advertisements: Family Owned Since 1690. Copyright Andrew Vuksic, 2011.

As stated earlier, the Gavrilović Company is a certified NATO supplier of meat products. This means that Gavrilović must go through rigorous annual evaluation procedures to prove its worth as a member of the NATO trade group. On September 21, 2010, Gavrilović passed the most recent evaluation (Jakopović, 2010).

This is a great accomplishment considering the recent "Afera meso" incident (meat affair incident) that occurred throughout Croatia. In the summer of 2010, the Croatian public witnessed a huge recall of spoiled meat products (Kukec, 2010). This recall was broadcast on the daily news of all major television stations in Croatia, and warranted responses from the current government leader Jadranka Kosor, as well as the Minister of Agriculture, Petar Čobanković. Three hundred cases of food poisoning from spoiled meat were reported in one day (Kukec, 2010). Government officials called for an immediate investigation into the meat industry (Kukec, 2010). This caused a public stir

and resulted in numerous investigations into the quality control of the meat industries in Croatia. The number of cases of food poisoning from spoiled meat were only reported after Minister Čobanković created a special department for this incident, meaning that the true number of poisoning and spoiled meat sales is still unknown (Kukec, 2010). While complete reviews from the inspections of other companies in the Croatian meat industry are still not complete, the Gavrilović Company has the NATO approval to show that its meat products adhere to the highest of quality control standards (Jakopović, 2010).

In the fall of 2010, and after receiving NATO approval, the Gavrilović Company received its third international certificate: the ISO:9001 (Morić, 2010). It took 18 months for the board to review the Gavrilović facilities. The board focused on management practices, market strategy, internal revision and control, daily operations, new product development, sales, marketing, product realization, and post-sales activities. The certificate was given by SGS Adriatica, a 40-year leader for evaluating certificate candidates in Eastern Europe (Morić, 2010).

It was also in the fall of 2010 that the Gavrilović Company received the Zlatna Kuna award, or the Golden ferret award (Fran, 2010b). The ferret is a symbol on all Croatian currency, and the award was given to the Gavrilović Company for being the most successful large merchant group in the Zagreb region (see Figure 33). Although the recent world financial crises has been particularly difficult on most Croatian companies, Gavrilović profits rose by 2.4% in the first nine months of 2010 (Fran, 2010b). Đuro Gavrilović was extremely optimistic and confident, saying,

I am very pleased and honored by the award, but at the same time I am saddened by the fact that we are lonely and without competition in the region. I hope that in the upcoming years the competition for the award will rise (<http://gavrilovic.gideon.hr>).



Figure 33. Golden Ferret 2010 Award. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2009 by Gavrilović Company. Reprinted with permission.

In an effort to promote a positive image of incoming company president Đuro Gavrilović Jr., as well as to connect back to its roots in Petrinja, the Gavrilović Company organized a fair that exhibited a 1050-foot-long sandwich (Morić, 2010). Gavrilović used 220 pounds of its meat products, including salamis and patés, to create this sandwich. This is an example of the Gavrilović Company working with the city council to promote the quality of public life in Petrinja, as well as the long-lasting heritage between the city and Gavrilović Company (see Figure 34).

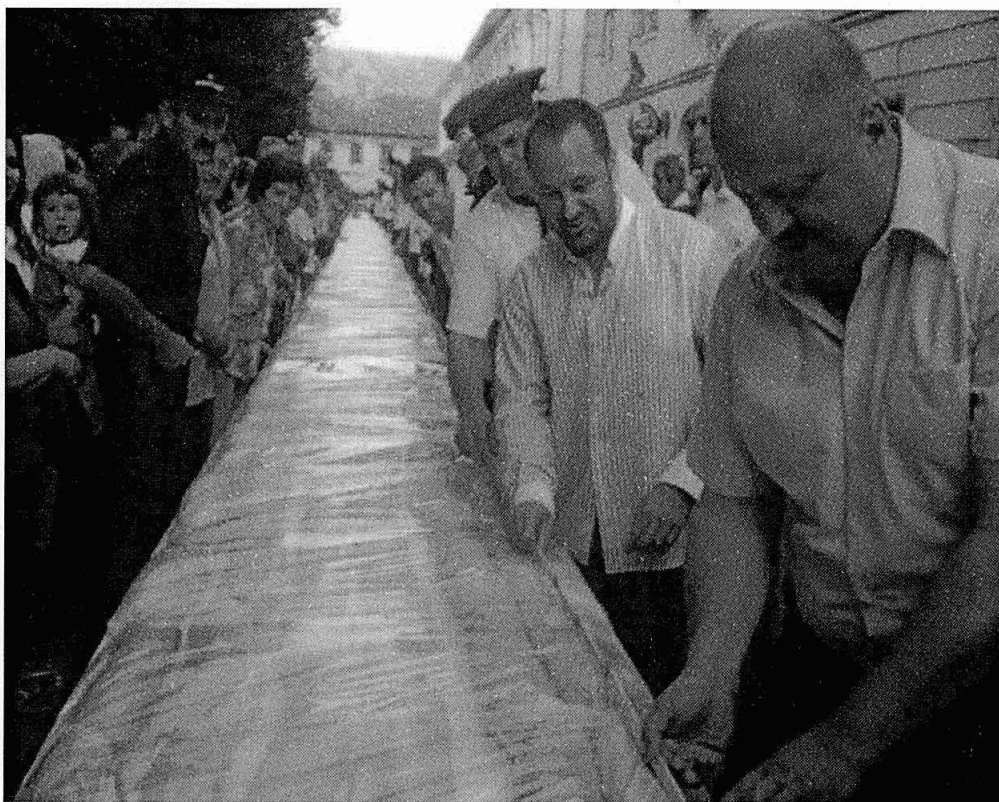


Figure 34. Đuro, Jr. at the 1050-Foot Sandwich Event. From <http://www.gavrilovic.hr/37663/povijest>. Copyright 2010 by Gavrilović Company. Reprinted with permission.

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